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E.O. 12958: N/A
TAGS: [PREF](#) [MCAP](#) [MARR](#)
SUBJECT: ITALY: 2003 REPORT TO CONGRESS ON ALLIED CONTRIBUTIONS TO THE COMMON DEFENSE

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KOSOVO, THE CURRENT PRIORITIES COVER THE FOLLOWING AREAS:
HEALTH, INFRASTRUCTURES AND SUPPORT OF MEDIUM AND SMALL SIZED
COMPANIES. ITALIAN MFA PLANS TO CONCENTRATE FUTURE
INITIATIVES ON INTERVENTION AIMED TO SUPPORT ECONOMIC
DEVELOPMENT OF THE PRIVATE SECTOR AND INSTITUTIONAL REFORMS

147. (U) THE ITALIAN PROGRAM OF COOPERATION STARTED AFTER THE AGREEMENT BETWEEN THE GOVERNMENT OF SKOPJE AND THE ODA DEPARTMENT OF MFA AND CONSISTS OF THE FOLLOWING INITIATIVES:

-- RATIONALIZATION OF THE MANAGING SECTOR AND MODERNIZATION OF BIOMEDICAL EQUIPMENT: A GIFT OF USD 1.14 MILLION AND A CREDIT AID OF USD 2.58 MILLION. THE PROGRAM STARTED IN FEBRUARY 2000. AT PRESENT IT IS UNDER IMPLEMENTATION FOR THE GIFT PORTION OF THE INTERVENTION WITH THE TECHNICAL ASSISTANCE PROVIDED BY ITALIAN EXPERTS TO THE LOCAL AUTHORITIES FOR THE CREATION OF THE NATIONAL SYSTEM OF CLINICAL ENGINEERING AND FOR THE MODERNIZATION OF EXISTING MEDICAL EQUIPMENT.

MEDICAL EQUIPMENT.
-- LINE OF SOFT CREDIT FOR USD 12.7 MILLION, AIMED AT THE SUPPLY OF ITALIAN GOODS AND SERVICES FOR THE SAME VALUE IN ORDER TO SUPPORT THE ACCESS OF MACEDONIAN SMALL AND MEDIUM SIZED COMPANIES TO CREDITS AND OTHER FINANCIAL INSTRUMENTS. THE ADVISORY ITALIAN COMPANY CHOSEN IS "FORTRADE FINANCING SPA" BASED IN MILAN.

-- PROGRAM FOR THE CONSTRUCTION OF INFRASTRUCTURE FOR MANAGEMENT OF WATER RESOURCES AND FOR THE ENVIRONMENTAL PROTECTION OF THE RADIKA RIVER IN THE TOWN OF ROSTUZE (USD 5.6 MILLION), IS SCHEDULED TO BE APPROVED BY THE ODA COMMITTEE IN APRIL. AT THE MOMENT THE PROJECT IS UNDER REVIEW BY THE UTC AND IN THE MEANTIME THE MACEDONIAN

IN THE MEANTIME
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COUNTERPART WILL PREPARE THE FORMAL ACCEPTANCE OF THE
DOCUMENT.

-- DOCUMENT --

-- EMERGENCY PROGRAMS: THROUGH 2001 USD 4.13 MILLION HAVE BEEN ALLOCATED FOR PROGRAMS IN FAVOR TO POPULATION DAMAGED BY THE RECENT CIVIL WAR. THESE FUNDS HAVE BEEN USED FOR INTERVENTION IN THE SOCIAL AND HEALTH AND AGRICULTURAL AREAS AND THROUGH DIRECT MANAGEMENT BY INTERNATIONAL ORGANIZATION LIKE UNICEF, OMS, FAO AND UNDP.

IN LINE WITH THE 1999-2001 COMMITMENTS, ITALY ANNOUNCED AN OVERALL COMMITMENT OF USD 17.2 MILLION EURO FOR THE PERIOD 2002-2004.

ALBANIA

148. (U) STARTING FROM 1992, THE ITALIAN ODA TO ALBANIA REACHED THE OVERALL AMOUNT OF USD 360 MILLION, OF WHICH USD 349 MILLION ALREADY DISBURSED. ITALY IS ALBANIA'S LARGEST BILATERAL DONATOR AND THE SECOND LARGEST DONATOR AFTER EU. THE VOLUME OF THE FINANCIAL COMMITMENTS TOWARD ALBANIA FACILITATED THE CREATION OF A PATH OF STRATEGIC PARTNERSHIP BETWEEN THE TWO COUNTRIES THAT LED TO THE ALBANIAN RECOGNITION OF ITALY AS DOOR OF EUROPE8 IN THE PROCESS OF RESTRUCTURATION AND ASSOCIATION TO EU.

149. (U) THE PRIORITY SECTORS AT THE MOMENT ARE: ELECTRICITY, ROAD, WATER, HEALTH, AGRICULTURE, ENVIRONMENT, EDUCATION-TRAINING AND GENERAL GOVERNMENT.

-- ROAD SECTOR: AID CREDIT OF ABOUT USD 27.9 MILLION;
-- ELECTRICITY SECTOR: THE OVERALL COMMITMENT IS OF USD 53.7
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MILLION AS AID CREDIT, OF WHICH USD 41.3 MILLION APPROVED, BY
THE DIRECTION COMMITTEE IN DECEMBER 2001;
-- WATER SECTOR: A USD 31 MILLION AID CREDIT FOR INTERVENTION
IN THE AQUEDUCT OF TIRANA IS UNDER FINANCING;
-- AGRICULTURAL SECTOR: A GIFT OF USD 20.7 MILLION FOR
POLICIES OF SUPPORT OF AGRICULTURAL SECTOR IS UNDER
DISBURSEMENT;
-- HEALTH SECTOR: COMMITMENT OF A GIFT OF USD 3.2 MILLION AND
AN AID CREDIT OF USD 5.16 MILLION;
-- PASARP (&PROGRAM OF ACTIVITIES SUPPORT OF THE ALBANIAN
REFUGEE POPULATION8): ITALY CO-FINANCES IDA WITH USD 12.4
MILLION FOR THIS INITIATIVE, AIMED TO SUPPORT THE HUMAN
DEVELOPMENT AND THE STRAIGHTENING OF INSTITUTIONS AT THE
LOCAL LEVEL.

PEACEKEEPING AND HUMANITARIAN OPERATIONS

150. (U) MOD INDICATES THAT 10,386 PERSONNEL ARE CURRENTLY (EARLY DECEMBER 2002) EMPLOYED IN INTERNATIONAL (NATO AND UN) PEACEKEEPING AND HUMANITARIAN INITIATIVES, MOSTLY IN THE

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O 291637Z JAN 03
FM AMEMBASSY ROME
TO SECSTATE WASHDC IMMEDIATE 7875

ALL NATO POST COLLECTIVE PRIORITY
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BALKANS AND IN MIDDLE EAST. THE GOI FINANCED ITALY'S
PARTICIPATION IN INTERNATIONAL PEACEKEEPING AND HUMANITARIAN
OPERATIONS WITH USD 1.29 BILLION IN FY 2002. IN PARTICULAR,
USD 979 MILLION WERE FOR THE OPERATIONS IN THE BALKANS, WHILE
THE REMAINING USD 307 MILLION WERE FOR ANTI TERRORISM
MEASURES AND OTHER MISCELLANEOUS ITEMS. THE GOI FUNDS THESE
OPERATIONS THROUGH APPROPRIATE PIECES OF LEGISLATION.

PEACEKEEPING OPERATIONS

151. (U) -- KFOR SUPPORT: TOTAL OF 4350 PERSONNEL DEPLOYED, 1000 AIR FORCE PERSONNEL (ALBANIAN AIR ACADEMY AND RESTRUCTURE OF POTO AIRPORT,) 780 PERSONNEL (NATO/TIRANA), 210 NAVAL PERSONNEL FOR IMMIGRATION ACTIVITIES, AND 29 MILITARY ADVISORS TO SUPPORT ALBANIA OPERATIONS IN ADDITION TO 270 PERSONNEL (PRIMARILY CARABINIERI) FOR MULTINATIONAL SPECIALIZED UNITS. FROM OCT 4, 2002 UNTIL APRIL 2003, KFOR 7 WILL BE UNDER THE COMMAND OF AN ITALIAN GENERAL.
-- SFOR SUPPORT: ITALY MAINTAINS APPROXIMATELY 1221 SOLDIERS IN BOSNIA IN SUPPORT OF OPERATION JOINT FORGE. APPROXIMATELY 800 OF THESE SOLDIERS ARE PART OF THE IT-GE BRIGADE.
-- ALBANIA (NATO HEADQUARTERS-TIRANA): ITALY HAS APPROXIMATELY 1146 SOLDIERS DEPLOYED IN ALBANIA SUPPORTING OPERATION JOINT GUARDIAN. ITALY ALSO PROVIDES BILATERAL MILITARY ASSISTANCE, APART FROM THE NATO MISSION, INCLUDING 21 MILITARY ADVISORS AND 240 NAVAL PERSONNEL FOR IMMIGRATION ACTIVITIES. AS PART OF THE EU'S MAPE PROGRAM, ITALY PROVIDES 11 CARABINIERI.
-- NATO SUPPORT: 200 PERSONNEL NATO/SKOPJIE TO SUPPORT OPERATION AMBER FOX, 430 PERSONNEL FOR UN INTERNATIONAL

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SECURITY ASSISTANCE FORCE JAN 02, AND 314 PERSONNEL FOR
VARIOUS MISSIONS: UNTSO, UNIFIL, UNMEE, MINURSO, UNIKOM,
UNMIK, AND UNMOGIP.

OTHER MULTILATERAL MISSIONS

152. (U) -- MULTINATIONAL FORCE AND OBSERVERS (MFO): ITALY CONTRIBUTES 81 PERSONNEL AND THREE NAVAL VESSELS TO THIS MISSION.
-- EUROPEAN COMMUNITY MONITORING MISSION (ECMM): ITALY CONTRIBUTES APPROXIMATELY 15 OBSERVERS TO THE EUROPEAN COMMUNITY OBSERVATION MISSION IN THE FORMER REPUBLIC OF YUGOSLAVIA (FRY).
-- RACVIAC CROATIA (UN): 2 PERSONNEL.
-- MIATM MALTA (IT): 30 PERSONNEL.
-- MINURSO SAHARA OCC (UN): 5 PERSONNEL.
-- UNIFIL LEBANON (UN): 50 PERSONNEL.
-- MONUC CONGO (UN): 3 PERSONNEL.
-- TIPH II ISRAEL (EU): 1 PERSON.
-- UNMEE ETHIOPIA-ERITREA (UN): 10 PERSONNEL.
-- UMMOGLI INDIA-PAKISTAN (UN): 7 PERSONNEL.
-- UNTSO SINAI-ISRAEL-LEBANON-EGYPT (UN): 7 PERSONNEL.
-- UNIKOM IRAQ-KUWAIT (UN): 5 PERSONNEL.
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	SS-00	TEST-00	PMB-00	PRM-00	DRL-01	SAS-00	/004W

O 291637Z JAN 03
FM AMEMBASSY ROME
TO SECSTATE WASHDC IMMEDIATE 7864
INFO SECDEF WASHDC IMMEDIATE
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REF: A. 02SECSTATE 219916
1B. 02ROME 06091

11. (U) THE FOLLOWING IS THE UNCLASSIFIED VERSION OF EMBASSY ROME'S BURDENSHARING REPORT (REF B.) PLEASE NOTE THE CHANGE IN THE ESTIMATE ON FOREGONE RENT IN PARAGRAPH 37. EMBASSY ROME'S POC FOR THE BURDENSHARING REPORT IS POL OFFICER RAFIK MANSOUR. HE CAN BE REACHED AT (39) 06.4674.2831 OR AT MANSOURRK@STATE.GOV. PLEASE NOTE THAT THIS REPORT USES THE DEC 4 OFFICIAL RATE OF EXCHANGE: EURO1 = \$1.0008, ROUNDED OFF TO EURO1 = \$1.

¶2. (U) BEGIN TEXT.

POLITICAL SITUATION

13. (U) DOMESTIC: PM BERLUSCONI AND HIS CENTER-RIGHT COALITION REMAIN IN FIRM CONTROL OF THE PARLIAMENT. DESPITE CONTINUED CRITICISM FROM THE CENTER-LEFT OPPOSITION, THIS COALITION IS LIKELY TO ENDURE THROUGH ITS FULL TERM INTO THE SPRING OF 2006 (THE FIRST POST-WAR ITALIAN GOVERNMENT TO DO SO). ITS MAJORITY IN PARLIAMENT IS SUFFICIENT TO ENSURE THAT IT CAN WIN VOTES NOT ONLY ON CONTROVERSIAL DOMESTIC ISSUES, BUT ALSO ON FOREIGN POLICY ISSUES OF CONCERN TO THE US, SUCH AS THE DEPLOYMENT OF ITALIAN LAND FORCES TO AFGHANISTAN. THE PRIME MINISTER REMAINS PUBLICLY SUPPORTIVE OF U.S. POLICY, MOST NOTABLY IN HIS STATEMENTS CONCERNING POTENTIAL MILITARY ACTION IN IRAQ.

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14. (U) THE EU: GOI PREPARATIONS FOR ITS EU PRESIDENCY, FROM JULY THROUGH DECEMBER 2003, BEGAN TO DOMINATE ITALY'S FOREIGN POLICY PRIORITIES TOWARDS EUROPE WHEN THE GOVERNMENT RETURNED TO WORK IN SEPTEMBER. ITALY IS PLAYING AN ACTIVE ROLE IN THE EUROPEAN UNION'S ONGOING CONVENTION. WHETHER THE PRODUCT OF THIS PROCESS IS A "CONSTITUTION" AS SOME IN THE EU HAVE CALLED FOR, OR A LESS AMBITIOUS TREATY BASED DOCUMENT, THE GOI AGREES WITH ALMOST ALL ITS EU PARTNERS THAT IT MUST ADDRESS STRUCTURAL CHANGES TO THE EU'S INSTITUTIONS THAT WILL MAKE IT MORE DEMOCRATIC AND EFFICIENT, ESPECIALLY IN LIGHT OF ENLARGEMENT. THE ITALIANS ARE HOPING TO HAVE THE CONCLUDING SESSION OF AN INTER-GOVERNMENTAL CONFERENCE, PRESIDED OVER BY HEADS-OF-STATE, ADOPT THE FINAL DOCUMENT BY THE END OF ITS PRESIDENCY. ITALY IS A STRONG PROMOTER OF ESDP. NOW THAT BERLIN PLUS (NATO/ESDP COORDINATION) ARRANGEMENTS HAVE BEEN AGREED BETWEEN NATO AND THE EU, ITALY CAN BE EXPECTED TO BE A MAJOR CONTRIBUTOR TO THE FIRST EU PEACEKEEPING MISSIONS IN MACEDONIA AND (POTENTIALLY) BOSNIA.

15. (U) NATO-RUSSIA: ITALY IS A STRONG SUPPORTER OF IMPROVED NATO-RUSSIA TIES. PM BERLUSCONI WAS THE MAIN DRIVER BEHIND THE MAY 27-28 NATO-RUSSIA ROME SUMMIT WHICH ESTABLISHED THE NATO-RUSSIA COUNCIL. HE IS AN ACTIVE BOOSTER OF RUSSIA'S RAPPROCHEMENT WITH THE WEST. ITALY PLAYS AN ACTIVE ROLE -- IN PARTNERSHIP WITH THE US AND OTHER KEY ALLIES -- IN SUPPORTING FINANCIALLY THE DESTRUCTION OF RUSSIAN CW, AND IS WEIGHING PROVISION OF SIMILAR SUPPORT FOR THE DECOMMISSIONING OF RUSSIAN NUCLEAR SUBMARINES.

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16. (U) "IN TOGETHER, OUT TOGETHER" ARE WELCOME WORDS TO OUR
GOI INTERLOCUTORS AT ALL
LEVELS. EUROPE, INCLUDING ITALY, IS TAKING MORE
RESPONSIBILITY FOR ITS OWN BACKYARD BY TAKING OVER POLICING
FUNCTIONS IN BOSNIA POST IPTF. AS NOTED ABOVE, ITALY WILL BE
A KEY CONTRIBUTOR TO THE FOLLOW-ON MISSION TO NATO'S TASK
FORCE FOX. THE GOI CONTINUES TO PARTICIPATE IN SFOR AND KFOR
(INCLUDING ANOTHER KFOR COMMAND STARTING OCTOBER 2002.)
ITALY IS ALBANIA'S "BIGGEST BOOSTER," LARGEST BILATERAL
DONOR, INVESTOR, PROVIDER OF LAW ENFORCEMENT ASSISTANCE, AND
GENERAL BIG BROTHER. THIS ENGAGEMENT HELPS PROVIDE A
RELATIVELY STABLE ANCHOR IN A VOLATILE REGION.

17. (U) ITALY'S PARTICIPATION IN PFP: ITALY IS A STRONG SUPPORTER OF THE PFP PROGRAM, WITH PARTICULAR EMPHASIS ON IMPROVING THE CAPABILITIES AND QUALITY OF PFP COUNTRIES IN SE EUROPE. ITALY HAS CLOSE AND EXTENSIVE TIES WITH ALBANIA, CROATIA, ROMANIA, BULGARIA, FYROM, SLOVENIA AND SLOVAKIA AND REGULARLY CONDUCTS BILATERAL MILITARY TALKS. DURING THE CURRENT ROUND OF NATO ENLARGEMENT, ITALY SOUGHT TO HAVE ROMANIA AND BULGARIA INCLUDED AND WORKED WITH ALL OF THE SE

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EUROPEAN CANDIDATE COUNTRIES ON ECONOMIC, POLITICAL AND
MILITARY REFORMS TO RAISE THEIR CAPABILITIES IN ORDER TO
QUALIFY FOR MEMBERSHIP.

¶18. (U) THE GOI HAS SPONSORED MILITARY EXCHANGES ON ISSUES
SUCH AS INTELLIGENCE SHARING, COMMUNICATIONS AND LOGISTICS
PLANNING, PORT VISITS AND EXERCISES, TRAINING SEMINARS, AND
CONSULTATIONS WITH PFP COUNTRIES AND HAS PROMOTED COOPERATION
ON DEFENSE ACQUISITION. ITALY HAS ALSO INVESTIGATED TRAINING
OPPORTUNITIES BETWEEN THE ITALIAN CARABINIERI AND MILITARY
POLICE UNITS IN LATVIA, ESTONIA, ROMANIA AND BULGARIA, AND
BETWEEN ITALIAN ALPINI TROOPS AND MOUNTAIN UNITS FROM
MACEDONIA, SLOVENIA, AND ROMANIA. ITALIAN DIVERS AND
PARACHUTISTS HAVE TRAINED WITH BULGARIAN AND ROMANIAN UNITS
AS WELL.

¶19. (U) NATO MED DIALOGUE: ITALY IS ALSO DEDICATED TO
BREATHING LIFE INTO NATO'S MEDITERRANEAN DIALOGUE. PM
BERLUSCONI HAS INDICATED THAT STRENGTHENING THE DIALOGUE WILL
BE A GOI PRIORITY DURING ITALY'S EU PRESIDENCY IN 2003.

¶10. (U) NATO ENLARGEMENT: ALL THROUGHOUT 2002, ITALY HAS BEEN
IN FAVOR OF A ROBUST NATO ENLARGEMENT, PARTICULARLY AFTER
RUSSIAN CONCERN ABOUT ENLARGEMENT WERE ADDRESSED. THE
ITALIANS FAVERED A "BALANCED ENLARGEMENT" OF NATO, ONE THAT
WOULD INCLUDE ROMANIA AND BULGARIA. ON DECEMBER 11, IN THE
PLENARY SESSION OF THE SOUTHEAST EUROPEAN DEFENSE MINISTERS,
MINISTER MARTINO EMPHASIZED THE IMPORTANCE OF ALBANIA,
CROATIA, AND MACEDONIA SEIZING THE OPPORTUNITY OF FUTURE NATO
MEMBERSHIP TO ACCELERATE THEIR DEFENSE REFORMS AND REGIONAL
COOPERATION AND PLEDGED DIRECT ITALIAN ASSISTANCE FOR THEIR
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EFFORTS.

¶11. (U) OEF: ITALY WAS ONE OF THE FIRST ALLIES TO OFFER
MILITARY ASSETS FOR OPERATION ENDURING FREEDOM. THE GOI
OFFERED A SUBSTANTIAL PACKAGE CONSISTING OF HER SOLE AIRCRAFT
CARRIER, 8 HARRIER AIRCRAFT, EIGHT HELICOPTERS, TWO FRIGATES,
A SUPPLY SHIP, 8 TORNADO AIRCRAFT, AN NBC UNIT, SIX EOD
TEAMS, ONE ENGINEER UNIT, AND AN ARMOURED REGIMENT WITH
EQUIPMENT. NOT ALL ASSETS WERE CALLED UPON, HOWEVER THE
AIRCRAFT CARRIER AND FRIGATES WERE AMONG THOSE THAT OPERATED
IN THEATER FOR SEVERAL MONTHS. ITALY'S PARLIAMENT VOTED
OVERWHELMINGLY IN NOVEMBER 2001 TO APPROVE ITALIAN
CONTRIBUTIONS TO OEF, AND AGAIN IN OCTOBER 2002 WHEN
ADDITIONAL ASSETS WERE MADE AVAILABLE. THE GOI HAS ALSO
OFFERED TO BACKFILL US TROOPS SERVING WITH NATO MISSIONS IN
THE BALKANS AS ANOTHER MEANS OF SUPPORTING OEF.

¶12. (U) THE GOI RECENTLY AGREED TO OUR REQUEST TO DEPLOY A
LIGHT INFANTRY BATTALION (APPROXIMATELY 1000 SOLDIERS) TO
SERVE AS A MANEUVER FORCE IN AFGHANISTAN BEGINNING IN MARCH,
2003. AT THAT POINT, ITALY WILL BE SECOND ONLY TO THE US IN
GROUND FORCES AND TOTAL FORCES COMMITTED TO OEF. IN
ADDITION, TWO ITALIAN C-130J AIRCRAFT BEGAN OPERATING OUT OF
MANAS AIR BASE IN OCTOBER.

ECONOMIC SITUATION

¶13. (U) ITALY HAS THE WORLD'S SIXTH LARGEST ECONOMY WITH A
GDP OF ABOUT USD 1.3 TRILLION IN 2002. ITS GDP GROWTH, AN
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ESTIMATED 0.3 PERCENT IN 2002 AND 1.5 PERCENT IN 2003, WAS
SLIGHTLY BELOW THE AVERAGE OF THE 12 MEMBER STATES OF THE
EUROPEAN ECONOMIC AND MONETARY UNION (EMU).

¶14. (U) THE GOI PRESENTED ITS 2003 BUDGET TO PARLIAMENT ON
OCTOBER 2. REVISIONS ARE EXPECTED BEFORE PARLIAMENT APPROVES
THE BUDGET IN LATE DECEMBER. THE 2003 BUDGET TOTALS USD
639.7 BILLION (OR 49.0 PERCENT OF GDP), WITH A DEFICIT OF USD
19.6 BILLION (OR 1.5 PERCENT OF GDP.) A PACKAGE OF USD 20
BILLION (OR 1.5 PERCENT OF GDP) IN SPENDING CUTS IS PARTLY
OFFSET BY A STIMULUS PACKAGE OF USD 7.5 BILLION (OR 0.4
PERCENT OF GDP) IN TAX CUTS AND INVESTMENTS IN
INFRASTRUCTURE. DEFENSE MINISTRY SPENDING CUTS WILL NOT
REQUIRE CUTS IN SPENDING ON PURCHASES OF U.S. EQUIPMENT,
ACCORDING TO DEPUTY FINANCE MINISTER BALDASSARRI AND FINANCE
UNDER SECRETARY TANZI.

¶15. (SBU) THE GOI HAD HOPED TO HAVE SERIOUS ECONOMIC REFORMS
IN PLACE BY NOW. FINANCE MINISTER TREMONTI'S PROGRAM CALLED
FOR IMPLEMENTATION OF MAJOR TAX REFORM IN 2002 AND PENSION
REFORM SOON AFTERWARD. THE CONTINUED GLOBAL DOWNTURN,

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COMBINED WITH CONCERN THAT POSSIBLE ACTION IN IRAQ COULD DRAG
THE WORLD ECONOMY DOWN EVEN FURTHER, HAS COMPLICATED MATTERS.
TAX REVENUES ARE DOWN SUBSTANTIALLY, WHILE THE GOI HAS FOUND
IT VIRTUALLY IMPOSSIBLE TO CUT SPENDING.

116. (SBU) THE 2003 BUDGET IS THEREFORE A DIFFICULT COMPROMISE. FINANCE MINISTER TREMONTI IS SEEKING TO COMBINE FISCAL STIMULUS (TO AVOID A FURTHER SERIOUS DOWNTURN) WITH SMALL CUTS IN CENTRAL GOVERNMENT SPENDING AND POLITICALLY DIFFICULT CAPS ON REGIONAL AND MUNICIPAL SPENDING. THE FACT THAT THIS BUDGET PLEASES ALMOST NO ONE MAY BE THE BEST ARGUMENT THAT THE PAIN IS FAIRLY DISTRIBUTED.

DEFENSE POLICY/DEFENSE SPENDING

117. (U) FIGURES REGARDING THE PROPOSED ITALIAN DEFENSE BUDGET HAVE BEEN PUBLISHED IN THE OFFICIAL DOCUMENTS TRANSMITTED BY GO TO THE PARLIAMENT ON OCTOBER 2. THE TOTAL MOD FUNDING REQUEST FOR FY 2003 IS USD 19.61 BILLION, UP 3.1 PERCENT (OR USD 590 MILLION) FROM THE MOD REQUEST FOR FY 2002. IN OTHER TERMS, 2003 MOD APPROPRIATIONS AMOUNT TO 1.5% OF THE GDP, COMPARED TO 1.52% OF 2002. THE DRAFT 2003 MOD BUDGET PROVIDES A 3.1 PERCENT INCREASE, BUT ASSUMING A 1.9 PERCENT INFLATION RATE IN 2003, THIS FIGURE REPRESENTS A MODEST INCREASE IN REAL TERMS OVER 2002.

TABLE 1
SUMMARY OF MOD BUDGET: 2002-2003
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(IN BILLIONS OF USD)

%CHG	CHG	VALUE	FY 2002	FY 2003
<u>1.</u> NATIONAL DEFENSE			13.666	14.027
2.6	362		(1.09%)	(1.07%)
(AS % OF GDP)				
<u>2.</u> DOMESTIC SECURITY (CARABINIERI)			4.264	4.565
301			7.1	
(AS % OF GDP)			(0.34%)	(0.35%)
<u>3.</u> OTHER			1.097	1.023
-74			-6	
(AS % OF GDP)			(0.1%)	(0.35%)
<u>4.</u> TOTAL MOD APPROPRIATIONS			19.025	19.615
3.1	590			
(AS % OF GDP)			(1.52%)	(1.50%)
(AS % OF GOV BUDGET)			(3.02%)	(3.07%)
 ADDENDUM:				
GDP (1)			1,253	1,305
52				4.1
GOV BUDGET			630.062	639.706
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SOURCE: GOVERNMENT'S 2003 BUDGET PROPOSAL. (SEPTEMBER 2002).

¶18. (U) DEFENSE FUNCTION INCLUDES THE BUDGETS OF THE ARMY, NAVY AND AIR FORCE AND EXCLUDES DOMESTIC SECURITY (CARABINIERI) AND OTHER NON-ESSENTIAL MOD FUNCTIONS. THE DEFENSE FUNCTION BUDGET FOR 2003 IS USD 14.03 BILLION, UP 2.6% OR USD 362 MILLION FROM 2002 AND IS MOSTLY DESIGNED TO ASSURE THE CONTINUATION OF THE STRUCTURAL REFORM OF ARMED FORCES (PERSONNEL AND OPERATIVE SPENDING) AND DEFENSE MODERNIZATION PROJECTS (INVESTMENTS.) THE OPTIMAL DISTRIBUTION OF DEFENSE FUNCTION SPENDING IS 70 PERCENT FOR THE FUNCTIONING OF DEFENSE AND 30 PERCENT FOR DEFENSE MODERNIZATION. THE 2003 BUDGET DEVOTES 76.1 PERCENT OF OVERALL DEFENSE FUNCTION SPENDING FOR DEFENSE OPERATIONS (74.4 PERCENT IN 2002 BUDGET) AND ONLY 23.9 PERCENT FOR INVESTMENTS (25.6 PERCENT IN THE 2002 BUDGET.)

119. (U) AIR FORCE INVESTMENTS (USD 1,256 MILLION) ACCOUNT FOR ALMOST FORTY PERCENT OF OVERALL ALLOTMENTS. THESE FUNDS ARE

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IL-76 IN SUPPORT OF ISAF. ITALY PROVIDED ITS ONLY CARRIER BATTLE GROUP TO SUPPORT COMBAT OPERATIONS IN THE NORTH ARABIAN SEA. IT DEPLOYED MORE THAN 13 PERCENT OF ITS ENTIRE NAVAL FORCE FOR USE IN OEF. THE "DE LA PENNE" GROUP (ONE DESTROYER AND ONE FRIGATE) RELIEVED THE CARRIER BATTLE GROUP ON MARCH 15, 2002. THE ITALIAN FRIGATE "EURO" TRANSITED THE SUZ CANAL ON MAY 8, 2002 TO RELIEVE BOTH COMBATANTS ON STATION. CURRENTLY THE "EURO" IS STATIONED IN THE GULF OF OMAN WITH THE CANADIAN TG 50.04. IT TOOK PART IN THE CAPTURE OF TWO ALLEGED AL QAEDA ELEMENTS ON JULY 13, 2002 (THE FIRST EPISODE OF EFFECTIVE LIO IN OEF.) ITALY MOVED MORE THAN 17,000 LBS. (27 CUBIC METERS) OF SUPPLIES AND EQUIPMENT FROM BRINDISI TO ISLAMABAD, PAKISTAN ON MARCH 19, 2002. SUPPLIES/EQUIPMENT INCLUDED A FORKLIFT AND EQUIPMENT FROM THE WORLD FOOD PROGRAM (WFP). ON APRIL 18, 2002, ITALIAN AIR FORCE AIRCRAFT AND A SECURITY FORCE FROM THE CARABINIERI TRANSPORTED FORMER AFGHANISTAN KING MOHAMMED ZAHIR SHAH AND AIA LEADER HAMID KARZAI FROM ROME TO KABUL WITHOUT INCIDENT.

123. (U) ITALY HAS ALREADY SENT 2,700 TROOPS IN SUPPORT OF OEF, IN DEPLOYMENTS THAT ARE NOW COMPLETED. THE GOI IS NOW PREPARING FOR THE DEPLOYMENT OF A 1,000 MAN ALPINI TASK FORCE INTO AFGHANISTAN IN MARCH 2003. ITALY ALSO HAS 15 PERSONNEL DEPLOYED IN SUPPORT OF OPERATION ENDURING FREEDOM IN THE COALITION COORDINATION CENTER (CCC) OF USCENTCOM AT MACDILL AFB, TAMPA, FL.

124. (U) ITALY'S COMMITMENTS TO OEF AND ISAF HAVE COST IT USD 170 MILLION AND USD 80 MILLION, RESPECTIVELY. ADDITIONALLY, ITALY HAS BEEN ACTIVE IN THE FINANCIAL WAR ON TERRORISM, FREEZING ACCOUNTS OF INDIVIDUALS AND ENTITIES CONNECTED TO UNCLASSIFIED

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TERRORIST ACTIVITY. IN OCTOBER, ITALY BECAME ONLY THE SECOND COUNTRY WHICH JOINED THE U.S. IN JOINTLY DESIGNATING ENTITIES FOR ASSET FREEZE.

25.(U) ITALY VOLUNTEERED TO SERVE AS THE LEAD NATION IN COORDINATING INTERNATIONAL EFFORTS TO ASSIST IN THE REFORM OF AFGHANISTAN'S JUDICIAL SECTOR, ONE OF FIVE AREAS OF REFORM CONTRIBUTING TO AFGHANISTAN'S LONG-TERM SECURITY. IN THIS CAPACITY, THE GOI HAS SPONSORED A NUMBER OF MEETINGS AND HOSTED A MAJOR INTERNATIONAL DONOR CONFERENCE DECEMBER 19-20, AS WELL AS A SEMINAR FOR AFGHAN JURISTS DECEMBER 16-17. GOI STAFF AT ITS KABUL EMBASSY INCREASED TO ENABLE IT TO FULFILL THIS ROLE, AS DID THE ALLOCATION OF PERSONNEL TO THE MFA'S AFGHANISTAN DESK. ITALIAN ASSISTANCE TO AFGHANISTAN REACHED 47.5 MILLION EURO AS OF LATE NOVEMBER.

MILITARY REFORM

126. (U) ITALY CONTINUES TO EXECUTE ITS PLAN TO ESTABLISH A PROFESSIONAL, ALL-VOLUNTEER FORCE. THE GOI'S CURRENT TARGET IS A FULLY PROFESSIONAL FORCE OF 190,000 (APPROXIMATELY TEN PERCENT OF WHICH WILL BE WOMEN) BY THE END OF 2005. DEFENSE MINISTER MARTINI HOPES TO HAVE THE PROFESSIONAL FORCE IN PLACE BY 2004 AS A COST-SAVING MEASURE. LEGISLATION TO THAT EFFECT WAS INTRODUCED IN THE ITALIAN PARLIAMENT IN MID-2002.

127. (U) ARMY: THE ITALIAN ARMY, WHICH CONSISTED OF APPROXIMATELY 120,000 PERSONNEL IN 2002, IS UNDERGOING SIGNIFICANT CHANGE AS IT STRIVES TO COMPLETE ITS TRANSITION UNCLASSIFIED

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TO A SMALLER, MORE DEPLOYABLE, AND COMPLETELY PROFESSIONAL FORCE. APPROXIMATELY 60,000 CONSCRIPTS REMAIN IN SERVICE AS THE ARMY DOWNSIZES TO 112,000 VOLUNTEERS BY THE END OF 2005. WHILE 13 BRIGADES ARE STILL LISTED AS COMPRISING THE BULK OF FORCES, ONLY TEN BRIGADES WILL BE AVAILABLE IN THE FINAL STRUCTURE FOR CRISIS REACTION OR HOMELAND DEFENSE MISSIONS. THESE BRIGADES ARE EMPLOYED MUCH LIKE THE US ARMY'S DIVISIONS. THEY ARE ALL ASSIGNED NATO MISSIONS AND MANY COULD ALSO BE USED BY THE EU. A LITTLE OVER 6,500 ARMY PERSONNEL ARE DEPLOYED OVERSEAS, MOSTLY IN THE BALKANS, AND AFGHANISTAN. MAJOR ISSUES ARE: THE EXPANDING NUMBER OF PEACEKEEPING AND OTHER TYPES OF MULTINATIONAL OPERATIONS, THE COMPLETE INTEGRATION OF WOMEN INTO MOST OF THE UNITS, AND ASSURING SUFFICIENT PERSONNEL ARE RECRUITED IN THE COMING YEARS. IF THE CURRENT PACE OF RECRUITMENT CONTINUES, THE ARMY MAY BE SHORT 15,000 PERSONNEL IN 2006. THIS SHORTFALL DOES NOT APPEAR TO UPSET THE CURRENT LEADERSHIP, AS IT WILL ALLOW FOR A MORE GRADUAL INCREASE IN PROFESSIONAL SOLDIERS. MEANWHILE, THE ITALIAN ARMY IS MOVING FORWARD IN IMPROVING ITS CAPABILITIES. ITS NEWLY CREATED MULTINATIONAL CORPS LEVEL HIGH READINESS FORCE (LAND) HEADQUARTERS WAS OFFERED TO

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NATO AS AN ALLIED RAPID DEPLOYABLE CORPS AND UNDERWENT FULL
OPERATIONAL CAPABILITY TESTING WITH A MAJOR EXERCISE IN
DECEMBER 2002. THE ITALIAN ARMY ALSO CONTINUES TO ACQUIRE
MODERN WEAPONS AND COMBAT VEHICLES SUCH AS THE ARIETE TANK
AND THE DARDÒ ARMORED PERSONNEL CARRIER.

128. (U) NAVY: THE ITALIAN NAVY IS COMPRISED OF 34,000 MEN AND WOMEN. THE MAIN COMPONENTS OF THE ITALIAN FLEET INCLUDE ONE AIRCRAFT CARRIER (HELICOPTERS AND AV-8B SEA HARRIERS), THREE AMPHIBIOUS SHIPS, APPROXIMATELY 25 FRIGATES/DESTROYERS, EIGHT DIESEL SUBMARINES, 10 PATROL BOATS, AND 10 MINESWEEPERS. CONSTRUCTION HAS BEGUN ON A LARGE AMPHIBIOUS SHIP, WHICH WILL BE CAPABLE OF ACTING AS A TROOP TRANSPORT AND ALSO HAVE THE ABILITY TO OPERATE HELICOPTERS AND AV-8B SEA HARRIERS, AND, EVENTUALLY, V/STOL JSFS. A TYPE 212 SUBMARINE CONSTRUCTION PROGRAM WILL REPLACE OLDER SUBMARINES. THE ITALIAN NAVY ALSO WANTS TO ENHANCE ITS AMPHIBIOUS CAPABILITY TO PROJECT POWER BY REFITTING ITS TWO LPDS, PURCHASING NEW HELICOPTERS AND ENLARGING ITS SAN MARCO NAVAL INFANTRY GROUP. IN 2002, THE ITALIANS CONTINUED CO-PRODUCTION, WITH THE FRENCH, OF THE HORIZON FRIGATE, A PROGRAM DESIGNED TO REPLACE SEVERAL OLDER FRIGATES. THE ITALIANS HAVE A BILATERAL AMPHIBIOUS AGREEMENT WITH THE SPANISH NAVY, WHICH HAS LED TO THE CREATION OF A JOINT ITALIAN-SPANISH AMPHIBIOUS FORCE. THEY ARE ALSO PROPOSING CREATION OF A NATO NAVAL HIGH READINESS FORCE USING ITALIAN UNITS AS THE CENTERPIECE.

129. (U) AIR FORCE: THE ITALIAN AIR FORCE PROVIDES SIGNIFICANT LOGISTICAL INFRASTRUCTURE SUPPORT TO THE US AND NATO FORCES. HOWEVER, ITS ABILITY TO CONTRIBUTE DIRECTLY IN UNCLASSIFIED

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A FORCE-PROJECTION ROLE IS MODEST. THE PRIMARY MILITARY LIMITATIONS TO OUT OF AREA OPERATIONS OF THE ITALIAN AIR FORCE ARE: PROHIBITION OF THE USE OF CONSCRIPTS OVERSEAS, LACK OF STRATEGIC LIFT, AND LACK OF ADEQUATE AIR REFUELING SUPPORT FOR MORE THAN A HANDFUL OF AIRCRAFT. ADDITIONALLY, IN THE SURFACE ATTACK ROLE, THERE ARE INSUFFICIENT INVENTORIES OF PRECISION GUIDED WEAPONS TO SUSTAIN A BOMBING CAMPAIGN OF MORE THAN A FEW DAYS. HOWEVER, SINCE THE END OF THE GULF WAR, ITALY HAS MADE DRAMATIC GAINS IN IMPROVING ITS CONVENTIONAL WAR FIGHTING ABILITY. ITALY HAS INCREASED ITS PURCHASE OF PRECISION WEAPONS, SIGNED CONTRACTS TO PURCHASE US-MADE AIR REFUELING AIRCRAFT, LEASED EX-US F-16 FALCONS (34 F-16A/B AIRCRAFT TO ARRIVE IN CY2003 FOR USE IN AUGMENTING ITS FIGHTER INTERCEPTOR FORCE UNTIL THE EUROFIGHTER TYPHOON COMES ON LINE,) PURCHASED 24 C-130J AIRCRAFT, MODIFIED SOME TORNADO AIRCRAFT FOR SUPPRESSION OF ENEMY AIR DEFENSE ROLES AND INCREASED TRAINING OF TORNADO FLIGHT CREWS IN THE EMPLOYMENT OF LASER GUIDED MUNITIONS.

130. (U) THE EUROFIGHTER TYPHOON IS THE LARGEST PROCUREMENT ITEM IN ITALY'S DEFENSE BUDGET. ALTHOUGH IT ENTERS SERVICE IN 2004, IT WILL NOT REACH FULL OPERATIONAL CAPABILITY UNTIL 2007 OR 2008. UNTIL IT REACHES FULL OPERATIONAL CAPABILITY, IT WILL NOT GREATLY INCREASE ITALY'S ABILITY TO PROVIDE AIR SUPREMACY AND DEPLOYABILITY. AS A RESULT, A LARGE PART OF ITALY'S AIR COMBAT POWER WILL RELY ON OBSOLETE F-104 STARFIGHTER AIRCRAFT (TO BE REPLACED BY THE EUROFIGHTER TYPHOON) AND THE SURFACE ATTACK AIRCRAFT, THE JOINT BRAZILIAN-ITALIAN AMX. ITALY WAS THE SECOND FOREIGN CUSTOMER TO SIGN A CONTRACT TO HELP FUND, DEVELOP AND MANUFACTURE THE JOINT STRIKE FIGHTER (JSF), AND

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THE SIZE OF ITS PARTICIPATION MAKES IT THE SECOND LARGEST JSF PARTNER(AFTER THE UK). ITALY PLANS ON TAKING DELIVERY OF ITS FIRST JSF IN 2012 AND WILL USE THE AIRCRAFT TO REPLACE ITS AMX AND TORNADO AIRCRAFT IN THE SURFACE ATTACK ROLE AND REPLACE ITS AV-8B,S ONBOARD THE CARRIER GARIBALDI AND ITS SUCCESSOR. WITH ITALY'S REPLACEMENT OF THE F-104 BY THE TYPHOON AND THE REPLACEMENT OF THE AMX WITH THE JOINT STRIKE FIGHTER, ITS EMPLOYABLE COMBAT POWER WILL SIGNIFICANTLY INCREASE.

131. (U) CARABINIERI: THE CARABINIERI ARE, TECHNICALLY, THE FOURTH ELEMENT OF THE ITALIAN ARMED FORCES, AND REPORT TO THE MINISTER OF DEFENSE. WHILE MOST CARABINIERI RESPONSIBILITIES ARE FOR DOMESTIC SECURITY AND POLICE, CARABINIERI FORCES PLAY A LEADING ROLE IN MSU OPERATIONS IN THE BALKANS, AFGHANISTAN, AND ARE IN MANY RESPECTS THE MODEL FOR INTERNATIONAL FORCES BRIDGING THE GAP BETWEEN MILITARY PEACEKEEPING AND CIVILIAN POLICING FUNCTIONS. ADDITIONALLY, PURSUANT TO A LONG-STANDING AGREEMENT WITH THE US ARMY, ITALY PROVIDES TWO CARABINIERI COMPANIES ON A FULL-TIME BASIS TO THE US ARMY'S SOUTHERN EUROPEAN TASK FORCE TO ASSIST IN FORCE PROTECTION

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AND LAW ENFORCEMENT ON BASES USED BY THE US ARMY IN ITALY.

ITALY'S CONTRIBUTION TO THE COMMON DEFENSE

HOST NATION SUPPORT:

132. (U) -- ITALY PROVIDES FOR USG USE OF SEVEN PRINCIPAL MILITARY BASES AND NUMEROUS SMALLER LOCATIONS, ALL ON A NO-FEE BASIS, A UNIQUELY ADVANTAGEOUS ARRANGEMENT FOR THE US DEFENSE BUDGET. THESE STRATEGICALLY LOCATED INSTALLATIONS PERMIT A FORMALDABLE US FORCE CAPABILITY VIA THREE AIRBASES, ONE STAGING BASE, ONE LARGE AMMUNITION AND EQUIPMENT BASE AND TWO HOMEPORTS - ONE WITH THE ONLY ATLANTIC REGION MAINTENANCE/REPAIR TENDER SHIP PRIMARILY FOR NUCLEAR POWERED SUBMARINES. US FLEET AND SUBMARINE OPERATIONS IN THE MEDITERRANEAN WOULD BE SERIOUSLY HAMPERED WITHOUT THIS CAPABILITY.

-- ITALIAN CIVIL AND MILITARY SECURITY FORCES PROVIDE
INVALUABLE ANTI-TERRORIST PROTECTION TO US SHIPS TRANSITING
ITALIAN PORTS AND MILITARY BASES UTILIZED BY USG ALONG WITH
ARMED CARABINIERI SECURITY OF SENIOR US OFFICERS STATIONED OR
TRANSITING ITALY AND OTHER DIGNITARIES, AS NECESSARY.

-- A ROBUST TELECOMMUNICATIONS INFRASTRUCTURE ENHANCES US MILITARY DATA AND VOICE TRANSMISSION WHILE REDUCING REQUIREMENTS FOR US MILITARY EQUIPMENT AND PERSONNEL THROUGH A SUSTAINED AVAILABILITY OF LEASED TELECOMMUNICATIONS CIRCUITS.

-- HOST NATION ASSURANCES FOR SAFE LINES OF COMMUNICATIONS
(AIRPORTS, SEA PORTS, RAILWAYS, HIGHWAYS, AIR ROUTES)
FACILITATE THE SURGE OF US MILITARY PERSONNEL AND EQUIPMENT

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DURING TIMES OF CRISIS OR CONFLICT THROUGH THREE SHARED
CIVILIAN/MILITARY AIRFIELDS WITH BASING OF US AIRCRAFT.

-- UNPARALLELED AUTHORIZATION OF A US/NATO MUNITIONS STORAGE FACILITIES ON ITALIAN SOIL PERMITS INVALUABLE SOURCE FOR A PRE-POSITIONED STAGING MUNITIONS CAPABILITY TO EXERCISES AND CONTINGENCIES INCLUDING THE WAR ON TERRORISM.

-- CONVENIENT ACCESS TO MILITARY TRAINING AND EXERCISE RANGES
-- CONVENIENT ACCESS TO MILITARY TRAINING AND EXERCISE RANGES
ALLOWS THE US MILITARY TO CONDUCT INDISPENSABLE LAND MANEUVER
EXERCISES, LIVE-FIRE TRAINING, PARACHUTING, AND AIR TRAINING
ACTIVITIES

ACTIVITIES.
-- NO-COST LOAN OF 16 ITALIAN ARMY "CENTAURO" WHEELED ARMORED VEHICLES TO THE US ARMY SIGNIFICANTLY AIDED THE TRANSFORMATION OF NEW INTERIM BRIGADE COMBAT TEAMS TO DEVELOP OPERATIONAL CONCEPTS, TACTICS AND PROCEDURES FOR A MOBILE GUN SYSTEM.

-- ITALY HAS BEEN VERY RESPONSIVE TO SECURITY CONCERN AS EXEMPLIFIED WITH A 10-20 PERCENT INCREASE OF ARMED FORCES TO SUPPLEMENT US AND CONTRACT GUARD PERSONNEL RESPONSIBLE FOR PERIMETER SECURITY OF US/NATO-UTILIZED INSTALLATIONS.
-- PROVIDED ADDITIONAL, VALUABLE LAND IN SUPPORT OF THE F-16

-- PROVIDED ADDITIONAL VALUABLE LAND IN SUPPORT OF THE F-16
BEDDOWN AT AVIANO AIR BASE.
DEFENSE SPENDING:

DEFENSE SPENDING.

¶ 33. (U) -- ITALIAN CO

35. (c) TITLE

COOPERATIVE PROGRAM FOR THE DEVELOPMENT OF SYSTEMS HAS BEEN NOTHING SHORT OF OUTSTANDING. PARTICIPATION REDUCES UNIT COSTS WHILE EXPANDING THE DEFENSE INDUSTRIAL BASE AS EXEMPLIFIED BY THE STRIKE FIGHTER PROGRAM (JSF), MEDIUM HELICOPTER SYSTEM, MINI-INFORMATION DISTRIBUTION SYSTEM, AIRCRAFT LEASE, LIGHTWEIGHT 155MM HOWITZER.

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SEVERAL MISSILE UPGRADE PROGRAMS.
DIRECT PROCUREMENT OF US MANUFACTURED MAJOR

-- DIRECT PROCUREMENT OF US MANUFACTURED MAJOR DEFENSE EQUIPMENT PROMOTES AMERICAN PRODUCTS AND INTEROPERABILITY WHILE LENGTHENING AVAILABILITY OF PRODUCTION LINES AND PRESERVING A US INDUSTRIAL BASE AS DEMONSTRATED THROUGH THE PURCHASE OF 200 LOCKHEED-MARTIN JSF AIRCRAFT, FIVE GENERAL ATOMICS PREDATOR UNMANNED AERIAL VEHICLES, AND LARGE-SCALE PURCHASES OF FIVE TYPES OF RAYTHEON MISSILES.

-- ITALY AGGRESSIVELY PROCURES US-BASED TRAINING VALUED AT

-- ITALY AGGRESSIVELY PROCURES US-BASED TRAINING VALUED AT OVER 60 MILLION DOLLARS PER YEAR IN ORDER TO TRAIN ITS MILITARY PERSONNEL. THIS IMMENSE EXPENDITURE SUBSIDIZES OPERATING COSTS AND HELPS SUSTAIN US MILITARY ACADEMIC INSTITUTIONS.

ROLES AND MISSIONS:

¶34. (U) -- INVALUABLE PRODUCT SHARING OF ITALIAN MILITARY INTELLIGENCE WITH US COUNTERPARTS CONSTITUTES A NOTEWORTHY PORTION OF THE INTELLIGENCE COLLECTION AND ANALYSIS WORKLOAD ESSENTIAL TO MAINTAINING FULL COVERAGE OF THE MEDITERRANEAN REGION.

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-- THE STRATEGIC AND PROMINENT IMPORTANCE OF THE NATO COMBINED AIR OPERATIONS CENTER, HOSTED AND SUPPORTED BY ITALY, AUGMENTS THE MANAGEMENT OF MILITARY AIR OPERATIONS IN THE MEDITERRANEAN INCLUDING THE SENSITIVE BALKAN REGION.
-- CRUCIAL SEARCH AND RESCUE SERVICE PROVIDED BY THE ITALIAN COAST GUARD IS REFINED THROUGH THE OPERATION OF A SOPHISTICATED DISTRESS SIGNAL MONITORING SYSTEM THAT EXCEEDS ICAO PROCEDURES AND MARITIME LAW AND IS RESPONSIVE TO BOTH MILITARY AND CIVILIAN AIRCRAFT AND SHIPS.
-- THE CAPABILITY OF AN IMPRESSIVE ITALIAN AIR FORCE SUPPRESSION ENEMY AIR DEFENSE (SEAD) SYSTEM PLAYS A VITAL ROLE FOR THE PLANNING OF COMBINED AIR OPERATIONS AGAINST US AND NATO ADVERSARIES.
-- ORCHESTRATION OF ITALIAN AIR OPERATIONS CREATES A DEFENSIVE SHIELD FOR OVER 30,000 US MILITARY PERSONNEL AND THEIR FAMILIES IN ADDITION TO PORTS, FACILITIES AND EQUIPMENT USED FOR US MILITARY OPERATIONS.
-- DYNAMIC INTERACTION AND COOPERATION OF ITALIAN SENIOR POLITICAL AND MILITARY LEADERS SUBSTANTIALLY REDUCES COST AND COMPLEXITY FOR CONDUCTING US MILITARY OPERATIONS IN THE REGION DESPITE INTERNAL CRITICISM FOR ALLOWING US/NATO OPERATIONS ON ITALIAN SOIL.
-- EXTENSIVE CONTRIBUTIONS TO OPERATION ENDURING FREEDOM, GENERATED THROUGH THE SUPPORT OF THE ITALIAN MINISTRY OF DEFENSE AND PARLIAMENT, INCLUDE THE INTEGRATION AND EMPLOYMENT OF RECONNAISSANCE, REFUELING, AND GROUND OFFENSIVE AIRCRAFT, ARMORED, INFANTRY, AVIATION, ENGINEERING, AND EXPLOSIVE ORDNANCE DISPOSAL TEAMS, AND A LARGE CARABINIERI MILITARY POLICE UNIT.

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135. (U) UNDER ARTICLE VIII, PARAGRAPH 5 OF THE NATO SOFA, ITALY IS RESPONSIBLE FOR PAYING 25 PERCENT OF ALL NATO SOFA CLAIMS ARISING OUT OF ACTS OR OMISSIONS OF DOD PERSONNEL IN THE PERFORMANCE OF OFFICIAL DUTY. DURING CY02, ITALY'S 25 PERCENT SHARE OF ALL NATO SOFA CLAIMS PAID ON BEHALF OF THE UNITED STATES WAS APPROXIMATELY 705,000 USD. THIS FIGURE INCLUDES ITALY'S 650,000 USD SHARE OF A 2.6 MILLION USD JUDGMENT ENTERED IN CY02 BY AN ITALIAN COURT THAT REFLECTS PARTIAL PAYMENT OF A PROPERTY DAMAGE CLAIM ARISING OUT OF THE FEBRUARY 1998 USMC AIR MISHAP AT CAVESELE (CERMIS). ADDITIONALLY, ITALY PROVIDES NATO SOFA CLAIMS ADJUDICATION AND LITIGATION DEFENSE SERVICES IN ITALIAN COURT AT NO COST TO THE UNITED STATES. DURING CY02, THE VALUE OF THESE SERVICES WAS APPROXIMATELY 500,000 USD.

136. (U) PURSUANT TO A 1982 MOU BETWEEN ITALY AND THE UNITED STATES, ITALY PERMITS DOD TO CONDUCT RADIO AND TELEVISION BROADCASTING SERVICES TO US DOD PERSONNEL STATIONED IN ITALY. AT PRESENT, ITALY PROVIDES 36 FREQUENCIES AT NO COST TO THE UNITED STATES TO SUPPORT DOD'S IN-COUNTRY TERRESTRIAL BROADCAST OPERATIONS. BASED ON QUOTES OBTAINED IN CY02 BY DOD'S AMERICAN FORCES NETWORK SOUTH (AFNS) TO PURCHASE OR LEASE ADDITIONAL FREQUENCIES IN CASES WHERE NEEDED FREQUENCIES COULD NOT BE OBTAINED FROM THE ITALIAN GOVERNMENT, WE ESTIMATE THE ANNUAL LEASE COST, ON THE OPEN MARKET, FOR AFNS'S EXISTING 36 FREQUENCIES WOULD BE 2.5 MILLION USD.

INDIRECT COST SHARING

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FOREGONE RENT:

137. (U) -- RECOGNITION OF ITALY'S CONTRIBUTION TO COMMON DEFENSE IS BEST ILLUSTRATED THROUGH NO-COST SAVINGS FOR THE RENTAL OR LEASE PROPERTY TO US FORCES, UTILIZATION OF FIXED STRUCTURES, UTILITY CONNECTIONS TO BASE PERIMETERS (ALTHOUGH THE US PAYS LOCAL ACCESS FEES,) EXTERNAL SECURITY FOR INSTALLATIONS, AND TRAINING RANGES.

-- USG COST SAVINGS OF RENTAL OR LEASE OF PROPERTY ARE
MAXIMIZED THROUGH CLOSE COORDINATION AND COOPERATION OF
US/GOI MIXED COMMISSION BOARD.

-- HIGHLIGHTS OF NO-COST SAVINGS BENEFITS ARE REFLECTED THROUGH A FAIR MARKET VALUE COMPARISON OF SIMILAR PROPERTIES SOLD IN 2002. USING THIS COMPARISON, THE USG SAVED A TOTAL OF ABOUT 8.8 MILLION DOLLARS IN 2002 IN FOREGONE RENT.
-- NO-COST SAVINGS ARE FURTHER BROKEN DOWN INTO RESPECTIVE MILITARY SERVICES TO ACCOUNT FOR THE TREMENDOUS BENEFIT: USNAVEUR HAS ACCESS TO 4 SITES THAT ENCOMPASS 577 ACRES OF LAND, USAREUR UTILIZES 10 SITES COMPRISED OF 3,184 ACRES, AND USAFE HAS ACCESS TO 20 SITES CONSISTING OF OVER 250 ACRES.

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THE COST OF EACH ACRE OF LAND VARIES DEPENDING ON AGRICULTURE
OR COMMERCIAL UTILIZATION.
DURING RECENT PESTICIDE CAMPAIGNS, ITALY CLOSED TWO SHIPMENTS

-- DURING RECENT BOMBING CAMPAIGNS, ITALY CLOSED TWO CIVILIAN AIRPORTS TO COMMERCIAL TRAFFIC AND SUSPENDED MOST COMMERCIAL FISHING IN THE ADRIATIC SEA IN ORDER TO SUPPORT USG/NATO INTERESTS. GOI SUBSIDIZED THE COMMERCIAL FISHING AND AIRLINE INDUSTRIES FOR THEIR LOSS IN REVENUE.

TAX CONCESSIONS/CUSTOMS/TOLLS/DUTY:

138. (U) ITALY'S MOST IMPORTANT BURDENSHARING CONTRIBUTION IN THIS CATEGORY IS EXEMPTION FROM ITALY'S VALUE ADDED TAX (VAT, KNOWN IN ITALY AS IVA) ON THE COST OF GOODS AND SERVICES PROCURED BY THE U.S. FORCES IN ITALY FOR OFFICIAL/INSTITUTIONAL PURPOSES. WITHOUT SUCH RELIEF THE IVA TAX RATE WOULD BE 20 PERCENT ON THE VAST MAJORITY OF PURCHASES MADE BY DOD IN ITALY. THERE IS ALSO COMPLETE RELIEF FROM THE 10-40 PERCENT CUSTOMS DUTY ON PROPERTY DOD IMPORTS INTO ITALY FOR OFFICIAL/INSTITUTIONAL PURCHASES, INCLUDING PERSONAL PROPERTY DOD PERSONNELSHIP UNDER DOD TRAVEL ORDERS WHEN ENTERING COUNTRY ON PCS OR TDY/TAD. ADDITIONALLY, APPROXIMATELY 220 MILLION USD OF GOODS AND SERVICES ARE SOLD IN ITALY EACH YEAR TO ELIGIBLE PATRONS OF DOD'S COMMISSARIES AND EXCHANGES FREE FROM IVA AND CUSTOMS DUTIES. ADDITIONALLY, ITALY AND THE UNITED STATES HAVE A LONG-STANDING DIPLOMATIC AGREEMENT THAT ALLOWS RATIONED TAX-FREE SALES OF GASOLINE, MOTOR OIL, DIESEL FUEL, AND CERTAIN OTHER PETROLEUM PRODUCTS TO ELIGIBLE U.S. DOD PERSONNEL FOR USE IN THEIR PRIVATELY-OWNED MOTOR VEHICLES AND IN THEIR HOMES.

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439. (U) OTHER FORMS OF TAX RELIEF PROVIDED BY ITALY TO THE U.S. FORCES AND DOD PERSONNEL STATIONED IN ITALY INCLUDE: (1) FULL EXEMPTION FROM PORT FEES FOR DOD GOODS LOADED OR OFF-LOADED ON AT ITALIAN MILITARY AND CIVILIAN PORTS, (2) FULL RELIEF FROM ITALY'S VEHICLE CIRCULATION TAX ("ROAD TAX") FOR ALL DOD OFFICIAL VEHICLES AND THE FIRST PRIVATELY-OWNED VEHICLE OWNED BY A DOD MILITARY MEMBER OR DOD CIVILIAN EMPLOYEE, THE COST WHICH AVERAGES 300 USD PER VEHICLE, AND (3) FULL RELIEF FROM ITALY'S AUTOMOBILE INSURANCE TAX ON THE FIRST PRIVATELY-OWNED VEHICLE OWNED BY A DOD MILITARY MEMBER OR DOD CIVILIAN EMPLOYEE, THE COST WHICH AVERAGES 80 USD FOR EACH DOD MEMBER WHO HAD ONE OR MORE POVS REGISTERED UNDER THE "ALLIED FORCES ITALY" REGISTRATION SYSTEM.

140. (U) SUMMARY OF ESTIMATED ITALIAN TAXES/CUSTOMS/DUTY CONCESSIONS FOR CY02 FOLLOWS, IN USD MILLIONS

11. OFFICIAL PURCHASES OF GOODS, SERVICES, MATERIALS AND SUPPLIES: 100

12. OFFICIAL IMPORT EXEMPTIONS: 100

13. POL PURCHASES (OFFICIAL AND PERSONAL): 100

¶ 4. TOLLS: 0

**15. VALUE ADDED TAXES AND CUSTOMS DUTIES
ON PERSONAL PURCHASES: 75**

16. POSTAL: 0

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IV. UTILITIES: 8.5

8. TELECOMMUNICATIONS: 0

GRANT AID

141. (U) WHEN COMPARING G8 MEMBER COUNTRIES' AID CONTRIBUTIONS AS A PERCENTAGE OF GDP, ITALY RANKS NEXT TO LAST (THE U.S. RANKS LAST,) AT 0.1 PERCENT. ITALY GIVES LESS THAN THE AGREED OECD AVERAGE OF 0.24 PERCENT OF GDP. DESPITE OFFICIAL STATEMENT OF THE INCREASE TO 0.7 PERCENT OF GDP IT IS UNREALISTIC TO EXPECT THAT ITALY WILL EVER BE ABLE TO KEEP UP WITH THE NORTHERN EUROPEAN COUNTRIES, WHICH MEET AND EXCEED OECD TARGETS. ITALY'S LIMITED FOREIGN ECONOMIC ASSISTANCE PROGRAM IS CONSEQUENTLY TARGETED AT A FEW KEY REGIONS.

142. (U) ITALIAN PRIORITIES HAVE BEEN STABLE SINCE 1995. ITALY ASSERTS ITS NATIONAL PRIORITIES AND AGENDA WITH ITS BILATERAL

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SUBJECT: ITALY: 2003 REPORT TO CONGRESS ON ALLIED CONTRIBUTIONS TO THE COMMON DEFENSE

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ASSISTANCE PROGRAMS. BILATERAL ASSISTANCE (PROVIDED BY THE
MINISTRIES OF FOREIGN AFFAIRS AND TREASURY) FOR 2002 (REVISED
BUDGET) WAS USD 475 MILLION, BUT THE 2003 BUDGET CALLS FOR A
2.7 PERCENT INCREASE TO USD 488 MILLION, 0.1 PERCENT OF TOTAL
GOVERNMENT SPENDING, THE SAME PERCENTAGE OF 2000 AND 2001.

143. (U) ITALY PREFERENCES, WHEN POSSIBLE, TO WORK THROUGH MULTILATERAL INSTITUTIONS TO MANAGE ASSISTANCE PROGRAMS, RATHER THAN SELF-MANAGE AS USAID DOES. ITALIAN BILATERAL ASSISTANCE IS ALWAYS IN THE FORM OF PROJECTS, RATHER THAN BALANCE OF PAYMENTS FINANCING OR CASH. ITALY RARELY FUNDS AN INFRASTRUCTURE PROJECT, AND IS MOSTLY INTERESTED IN ENVIRONMENT, AGRICULTURE, AND EDUCATION. RECIPIENT COUNTRIES PROPOSE PROJECTS, WHICH ARE THEN CONSIDERED BY THE FOREIGN MINISTRY FOR FUNDING. ON THE GROUND, ITALIAN AID WORKERS COLLABORATE (WHICH DOES NOT IMPLY THEY ALWAYS AGREE) WITH THEIR COUNTERPARTS FROM OTHER COUNTRIES TO ENSURE THAT OVERALL AID PROJECTS WORK WELL. IN ROUGHLY TWENTY RECIPIENT COUNTRIES OF BILATERAL ASSISTANCE, ITALY USES 'TECHNICAL LOCAL UNITS' WHICH CONSIST OF ONE OR TWO ITALIANS AND OTHER LOCAL STAFF. THESE UNITS ARE HEADQUARTERED WITHIN ITALIAN EMBASSIES ABROAD. IN OTHER COUNTRIES, PROGRAMS ARE OVERSEEN DIRECTLY BY THE EMBASSY, WITHOUT THE HELP OF A TECHNICAL LOCAL UNIT.

144. (U) FOLLOWING THE MONTERREY CONFERENCE IN JULY IN THE
2003-2006 BUDGET PLANNING DOCUMENT THE GOI TOOK THE
COMMITMENT TO INCREASE THROUGH 2003 THE AID/GDP RATIO TO 0.33
PERCENT. THIS COMMITMENT, LIKE THAT ON DEFENSE, CONFLICTS
WITH THE CONSTRAINTS RELATED TO THE CRITICAL BUDGET SITUATION.

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TABLE 3
ITALY'S SPENDING FOR BILATERAL ASSISTANCE: 2002-2003
BY GOVERNMENT SOURCE
(IN MILLIONS OF USD UNLESS OTHERWISE INDICATED)

		FY 2002	FY 2003
CHG	CHG VALUE		
1. MINISTRY OF 7.4 FOREIGN AFFAIRS	33	455	488
COOPERATION FOR 33 DEVELOPMENT OF WHICH: -- AID TO LESS 7.4 DEVELOPED COUNTRIES (LDC) -- HUMANITARIAN	34	452	486
- ASSISTANCE 2. MINISTRY OF -100.0 TREASURY	-20	20	0
13. TOTAL 2.7 (% OF GOV BUDGET)	13 (0.1%)	475	488 (0.1%)

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14. ADDENDUM:
GOV BUDGET 630,062 639,706
EXCHANGE RATE 1.00 1.00

SOURCE: GOI'S 2003 PROPOSED BUDGET.

ASSISTANCE TO NATO ASPIRANT COUNTRIES

145. (U) THE MFA ECONOMIC ASSISTANCE DEPARTMENT CONFIRMED THAT ITALIAN ECONOMIC ASSISTANCE TO NATO ASPIRANT COUNTRIES IS LIMITED TO MACEDONIA AND ALBANIA.

MACEDONIA

¶46. (U) AFTER THE FIRST HUMANITARIAN AND EMERGENCY INTERVENTION OF 1991 CAUSED BY THE FLOW OF REFUGEES FROM

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REF: A. 02SECSTATE 219916
B. 02ROME 06091

11. (U) THE FOLLOWING IS THE UNCLASSIFIED VERSION OF EMBASSY ROME'S BURDENSHARING REPORT (REF B.) PLEASE NOTE THE CHANGE IN THE ESTIMATE ON FOREGONE RENT IN PARAGRAPH 37. EMBASSY ROME'S POC FOR THE BURDENSHARING REPORT IS POL OFFICER RAFIK MANSOUR. HE CAN BE REACHED AT (39) 06.4674.2831 OR AT MANSOURRK@STATE.GOV. PLEASE NOTE THAT THIS REPORT USES THE DEC 4 OFFICIAL RATE OF EXCHANGE: EURO1 = \$1.0008, ROUNDED OFF TO EURO1 = \$1.

¶2. (U) BEGIN TEXT.

POLITICAL SITUATION

13. (U) DOMESTIC: PM BERLUSCONI AND HIS CENTER-RIGHT COALITION REMAIN IN FIRM CONTROL OF THE PARLIAMENT. DESPITE CONTINUED CRITICISM FROM THE CENTER-LEFT OPPOSITION, THIS COALITION IS LIKELY TO ENDURE THROUGH ITS FULL TERM INTO THE SPRING OF 2006 (THE FIRST POST-WAR ITALIAN GOVERNMENT TO DO SO). ITS MAJORITY IN PARLIAMENT IS SUFFICIENT TO ENSURE THAT IT CAN WIN VOTES NOT ONLY ON CONTROVERSIAL DOMESTIC ISSUES, BUT ALSO ON FOREIGN POLICY ISSUES OF CONCERN TO THE US, SUCH AS THE DEPLOYMENT OF ITALIAN LAND FORCES TO AFGHANISTAN. THE PRIME MINISTER REMAINS PUBLICLY SUPPORTIVE OF U.S. POLICY, MOST NOTABLY IN HIS STATEMENTS CONCERNING POTENTIAL MILITARY ACTION IN IRAQ.

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14. (U) THE EU: GOI PREPARATIONS FOR ITS EU PRESIDENCY, FROM JULY THROUGH DECEMBER 2003, BEGAN TO DOMINATE ITALY'S FOREIGN POLICY PRIORITIES TOWARDS EUROPE WHEN THE GOVERNMENT RETURNED TO WORK IN SEPTEMBER. ITALY IS PLAYING AN ACTIVE ROLE IN THE EUROPEAN UNION'S ONGOING CONVENTION. WHETHER THE PRODUCT OF THIS PROCESS IS A "CONSTITUTION" AS SOME IN THE EU HAVE CALLED FOR, OR A LESS AMBITIOUS TREATY BASED DOCUMENT, THE GOI AGREES WITH ALMOST ALL ITS EU PARTNERS THAT IT MUST ADDRESS STRUCTURAL CHANGES TO THE EU'S INSTITUTIONS THAT WILL MAKE IT MORE DEMOCRATIC AND EFFICIENT, ESPECIALLY IN LIGHT OF ENLARGEMENT. THE ITALIANS ARE HOPING TO HAVE THE CONCLUDING SESSION OF AN INTER-GOVERNMENTAL CONFERENCE, PRESIDED OVER BY HEADS-OF-STATE, ADOPT THE FINAL DOCUMENT BY THE END OF ITS PRESIDENCY. ITALY IS A STRONG PROMOTER OF ESDP. NOW THAT BERLIN PLUS (NATO/ESDP COORDINATION) ARRANGEMENTS HAVE BEEN AGREED BETWEEN NATO AND THE EU, ITALY CAN BE EXPECTED TO BE A MAJOR CONTRIBUTOR TO THE FIRST EU PEACEKEEPING MISSIONS IN MACEDONIA AND (POTENTIALLY) BOSNIA.

15. (U) NATO-RUSSIA: ITALY IS A STRONG SUPPORTER OF IMPROVED NATO-RUSSIA TIES. PM BERLUSCONI WAS THE MAIN DRIVER BEHIND THE MAY 27-28 NATO-RUSSIA ROME SUMMIT WHICH ESTABLISHED THE NATO-RUSSIA COUNCIL. HE IS AN ACTIVE BOOSTER OF RUSSIA'S RAPPROCHEMENT WITH THE WEST. ITALY PLAYS AN ACTIVE ROLE -- IN PARTNERSHIP WITH THE US AND OTHER KEY ALLIES -- IN SUPPORTING FINANCIALLY THE DESTRUCTION OF RUSSIAN CW, AND IS WEIGHING PROVISION OF SIMILAR SUPPORT FOR THE DECOMMISSIONING OF RUSSIAN NUCLEAR SUBMARINES.

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16. (U) "IN TOGETHER, OUT TOGETHER" ARE WELCOME WORDS TO OUR
GOI INTERLOCUTORS AT ALL
LEVELS. EUROPE, INCLUDING ITALY, IS TAKING MORE
RESPONSIBILITY FOR ITS OWN BACKYARD BY TAKING OVER POLICING
FUNCTIONS IN BOSNIA POST IPIF. AS NOTED ABOVE, ITALY WILL BE
A KEY CONTRIBUTOR TO THE FOLLOW-ON MISSION TO NATO'S TASK
FORCE FOX. THE GOI CONTINUES TO PARTICIPATE IN SFOR AND KFOR
(INCLUDING ANOTHER KFOR COMMAND STARTING OCTOBER 2002.)
ITALY IS ALBANIA'S "BIGGEST BOOSTER," LARGEST BILATERAL
DONOR, INVESTOR, PROVIDER OF LAW ENFORCEMENT ASSISTANCE, AND
GENERAL BIG BROTHER. THIS ENGAGEMENT HELPS PROVIDE A
RELATIVELY STABLE ANCHOR IN A VOLATILE REGION.

17. (U) ITALY'S PARTICIPATION IN PPP: ITALY IS A STRONG SUPPORTER OF THE PPP PROGRAM, WITH PARTICULAR EMPHASIS ON IMPROVING THE CAPABILITIES AND QUALITY OF PPP COUNTRIES IN SE EUROPE. ITALY HAS CLOSE AND EXTENSIVE TIES WITH ALBANIA, CROATIA, ROMANIA, BULGARIA, FYROM, SLOVENIA AND SLOVAKIA AND REGULARLY CONDUCTS BILATERAL MILITARY TALKS. DURING THE CURRENT ROUND OF NATO ENLARGEMENT, ITALY SOUGHT TO HAVE ROMANIA AND BULGARIA INCLUDED AND WORKED WITH ALL OF THE SE

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EUROPEAN CANDIDATE COUNTRIES ON ECONOMIC, POLITICAL AND
MILITARY REFORMS TO RAISE THEIR CAPABILITIES IN ORDER TO
QUALIFY FOR MEMBERSHIP

18. (U) THE GOI HAS SPONSORED MILITARY EXCHANGES ON ISSUES SUCH AS INTELLIGENCE SHARING, COMMUNICATIONS AND LOGISTICS PLANNING, PORT VISITS AND EXERCISES, TRAINING SEMINARS, AND CONSULTATIONS WITH PPP COUNTRIES AND HAS PROMOTED COOPERATION ON DEFENSE ACQUISITION. ITALY HAS ALSO INVESTIGATED TRAINING OPPORTUNITIES BETWEEN THE ITALIAN CARABINIERI AND MILITARY POLICE UNITS IN LATVIA, ESTONIA, ROMANIA AND BULGARIA, AND BETWEEN ITALIAN ALPINI TROOPS AND MOUNTAIN UNITS FROM MACEDONIA, SLOVENIA, AND ROMANIA. ITALIAN DIVERS AND PARACHUTISTS HAVE TRAINED WITH BULGARIAN AND ROMANIAN UNITS AS WELL.

19. (U) NATO MED DIALOGUE: ITALY IS ALSO DEDICATED TO BREATHING LIFE INTO NATO'S MEDITERRANEAN DIALOGUE. PM BERLUSCONI HAS INDICATED THAT STRENGTHENING THE DIALOGUE WILL BE A GOI PRIORITY DURING ITALY'S EU PRESIDENCY IN 2003.

¶10. (U) NATO ENLARGEMENT: ALL THROUGHOUT 2002, ITALY HAS BEEN IN FAVOR OF A ROBUST NATO ENLARGEMENT, PARTICULARLY AFTER RUSSIAN CONCERNs ABOUT ENLARGEMENT WERE ADDRESSED. THE ITALIANS FAVORED A "BALANCED ENLARGEMENT" OF NATO, ONE THAT WOULD INCLUDE ROMANIA AND BULGARIA. ON DECEMBER 11, IN THE PLENARY SESSION OF THE SOUTHEAST EUROPEAN DEFENSE MINISTERS, MINISTER MARTINO EMPHASIZED THE IMPORTANCE OF ALBANIA, CROATIA, AND MACEDONIA SEIZING THE OPPORTUNITY OF FUTURE NATO MEMBERSHIP TO ACCELERATE THEIR DEFENSE REFORMS AND REGIONAL COOPERATION AND PLEDGED DIRECT ITALIAN ASSISTANCE FOR THEIR UNCONDITIONAL

111. (U) OEF: ITALY WAS ONE OF THE FIRST ALLIES TO OFFER MILITARY ASSETS FOR OPERATION ENDURING FREEDOM. THE GOI OFFERED A SUBSTANTIAL PACKAGE CONSISTING OF HER SOLE AIRCRAFT CARRIER, 8 HARRIER AIRCRAFT, EIGHT HELICOPTERS, TWO FRIGATES, A SUPPLY SHIP, 8 TORNADO AIRCRAFT, AN NBC UNIT, SIX EOD TEAMS, ONE ENGINEER UNIT, AND AN ARMoured REGIMENT WITH EQUIPMENT. NOT ALL ASSETS WERE CALLED UPON, HOWEVER THE AIRCRAFT CARRIER AND FRIGATES WERE AMONG THOSE THAT OPERATED IN THEATER FOR SEVERAL MONTHS. ITALY'S PARLIAMENT VOTED OVERWHELMINGLY IN NOVEMBER 2001 TO APPROVE ITALIAN CONTRIBUTIONS TO OEF, AND AGAIN IN OCTOBER 2002 WHEN ADDITIONAL ASSETS WERE MADE AVAILABLE. THE GOI HAS ALSO OFFERED TO BACKFILL US TROOPS SERVING WITH NATO MISSIONS IN THE BALKANS AS ANOTHER MEANS OF SUPPORTING OEF.

¶12. (U) THE GOI RECENTLY AGREED TO OUR REQUEST TO DEPLOY A LIGHT INFANTRY BATTALION (APPROXIMATELY 1000 SOLDIERS) TO SERVE AS A MANEUVER FORCE IN AFGHANISTAN BEGINNING IN MARCH, 2003. AT THAT POINT, ITALY WILL BE SECOND ONLY TO THE US IN GROUND FORCES AND TOTAL FORCES COMMITTED TO OEF. IN ADDITION, TWO ITALIAN C-130J AIRCRAFT BEGAN OPERATING OUT OF MANAS AIR BASE IN OCTOBER.

ECONOMIC SITUATION

113. (U) ITALY HAS THE WORLD'S SIXTH LARGEST ECONOMY WITH A GDP OF ABOUT USD 1.3 TRILLION IN 2002. ITS GDP GROWTH, AN UNCLASSIFIED

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ESTIMATED 0.3 PERCENT IN 2002 AND 1.5 PERCENT IN 2003, WAS
SLIGHTLY BELOW THE AVERAGE OF THE 12 MEMBER STATES OF THE
EUROPEAN ECONOMIC AND MONETARY UNIONS (EMU).

114. (U) THE GOI PRESENTED ITS 2003 BUDGET TO PARLIAMENT ON
OCTOBER 2. REVISIONS ARE EXPECTED BEFORE PARLIAMENT APPROVES
THE BUDGET IN LATE DECEMBER. THE 2003 BUDGET TOTALS USD
639.7 BILLION (OR 49.0 PERCENT OF GDP), WITH A DEFICIT OF USD
19.6 BILLION (OR 1.5 PERCENT OF GDP.) A PACKAGE OF USD 20
BILLION (OR 1.5 PERCENT OF GDP) IN SPENDING CUTS IS PARTLY
OFFSET BY A STIMULUS PACKAGE OF USD 7.5 BILLION (OR 0.4
PERCENT OF GDP) IN TAX CUTS AND INVESTMENTS IN
INFRASTRUCTURE. DEFENSE MINISTRY SPENDING CUTS WILL NOT
REQUIRE CUTS IN SPENDING ON PURCHASES OF U.S. EQUIPMENT,
ACCORDING TO DEPUTY FINANCE MINISTER BALDASSARI AND FINANCE

115. (SBU) THE GOI HAD HOPED TO HAVE SERIOUS ECONOMIC REFORMS IN PLACE BY NOW. FINANCE MINISTER TREMONTE'S PROGRAM CALLED

FOR IMPLEMENTATION OF MAJOR TAX REFORM IN 2002 AND PENSION REFORM SOON AFTERWARD. THE CONTINUED GLOBAL DOWNTURN,

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COMBINED WITH CONCERN THAT POSSIBLE ACTION IN IRAQ COULD DRAG
THE WORLD ECONOMY DOWN EVEN FURTHER, HAS COMPLICATED MATTERS.
TAX REVENUES ARE DOWN SUBSTANTIALLY, WHILE THE GOI HAS FOUND
IT VIRTUALLY IMPOSSIBLE TO CUT SPENDING.

¶116. (SBU) THE 2003 BUDGET IS THEREFORE A DIFFICULT COMPROMISE. FINANCE MINISTER TREMONTI IS SEEKING TO COMBINE FISCAL STIMULUS (TO AVOID A FURTHER SERIOUS DOWNTURN) WITH SMALL CUTS IN CENTRAL GOVERNMENT SPENDING AND POLITICALLY DIFFICULT CAPS ON REGIONAL AND MUNICIPAL SPENDING. THE FACT THAT THIS BUDGET PLEASES ALMOST NO ONE MAY BE THE BEST ARGUMENT THAT THE PAIN IS FAIRLY DISTRIBUTED.

DEFENSE POLICY/DEFENSE SPENDING

117. (U) FIGURES REGARDING THE PROPOSED ITALIAN DEFENSE BUDGET HAVE BEEN PUBLISHED IN THE OFFICIAL DOCUMENTS TRANSMITTED BY GOI TO THE PARLIAMENT ON OCTOBER 2. THE TOTAL MOD FUNDING REQUEST FOR FY 2003 IS USD 19.61 BILLION, UP 3.1 PERCENT (OR USD 590 MILLION) FROM THE MOD REQUEST FOR FY 2002. IN OTHER TERMS, 2003 MOD APPROPRIATIONS AMOUNT TO 1.5% OF THE GDP, COMPARED TO 1.52% OF 2002. THE DRAFT 2003 MOD BUDGET PROVIDES A 3.1 PERCENT INCREASE, BUT ASSUMING A 1.9 PERCENT INFLATION RATE IN 2003, THIS FIGURE REPRESENTS A MODEST INCREASE IN REAL TERMS OVER 2002.

TABLE 1
SUMMARY OF MOD BUDGET: 2002-2003
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(IN BILLIONS OF USD)

%CHG	CHG VALUE	FY 2002	FY 2003
<u>1.</u> NATIONAL DEFENSE 2.6 (AS % OF GDP)	362	13.666 (1.09%)	14.027 (1.07%)
<u>2.</u> DOMESTIC SECURITY (CARABINIERI) 301 (AS % OF GDP)	4.264	4.565 (0.34%)	7.1 (0.35%)
<u>3.</u> OTHER -74 (AS % OF GDP)	1.097	1.023 (0.1%)	-6.7 (0.35%)
<u>4.</u> TOTAL MOD APPROPRIATIONS 3.1 (AS % OF GDP)	590	19.025 (1.52%)	19.615 (1.50%)
		(3.02%)	(3.07%)

ADDENDUM:				
GDP (1)		1,253	1,305	4.1
52				
GOV BUDGET	630.062		639.706	
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EXCHANGE RATE 1.00 1.00
SOURCE: GOVERNMENT'S 2003 BUDGET PROPOSAL (SEPTEMBER 2002).

118. (U) DEFENSE FUNCTION INCLUDES THE BUDGETS OF THE ARMY, NAVY AND AIR FORCE AND EXCLUDES DOMESTIC SECURITY (CARABINIERI) AND OTHER NON-ESSENTIAL MOD FUNCTIONS. THE DEFENSE FUNCTION BUDGET FOR 2003 IS USD 14.03 BILLION, UP 2.6% OR USD 362 MILLION FROM 2002 AND IS MOSTLY DESIGNED TO ASSURE THE CONTINUATION OF THE STRUCTURAL REFORM OF ARMED FORCES (PERSONNEL AND OPERATIVE SPENDING) AND DEFENSE MODERNIZATION PROJECTS (INVESTMENTS.) THE OPTIMAL DISTRIBUTION OF DEFENSE FUNCTION SPENDING IS 70 PERCENT FOR THE FUNCTIONING OF DEFENSE AND 30 PERCENT FOR DEFENSE MODERNIZATION. THE 2003 BUDGET DEVOTES 76.1 PERCENT OF OVERALL DEFENSE FUNCTION SPENDING FOR DEFENSE OPERATIONS (74.4 PERCENT IN 2002 BUDGET) AND ONLY 23.9 PERCENT FOR INVESTMENTS (25.6 PERCENT IN THE 2002 BUDGET.)

¶19. (U) AIR FORCE INVESTMENTS (USD 1,256 MILLION) ACCOUNT FOR

ALMOST FORTY PERCENT OF OVERALL ALLOTMENTS. THESE FUNDS ARE

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LAB-01	VCE-00	AC-01	NSAE-00	ACE-00	IRM-00	SSO-00	
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INFO SECDEF WASHDC IMMEDIATE
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SUBJECT: ITALY: 2003 REPORT TO CONGRESS ON ALLIED CONTRIBUTIONS TO THE COMMON DEFENSE

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RELATED TO THE DEVELOPMENT OF THE EUROFIGHTER (THE OVERALL COMMITMENT UP TO 2015 IS USD 18.1 BILLION, WHILE THE COMMITMENT FOR 2003 IS USD 564 MILLION,) THE CONTINUATION OF THE LEASING CONTACT OF THE TORNADO (THE OVERALL COMMITMENT UP TO 2015 IS USD 1.2 BILLION, WHILE THE COMMITMENT FOR 2003 IS USD 181.2 MILLION) AND FOR THE PURCHASE OF TRANSPORT AIRCRAFT.

120. (U) NAVY INVESTMENTS (USD 860 MILLION) ACCOUNT FOR ABOUT 26 PERCENT OF OVERALL INVESTMENTS. THESE FUNDS ARE DEVOTED TO:

-- THE PURCHASE OF TWO ESCORT FRIGATES OF THE CLASS ORIZZONTE (THE OVERALL COMMITMENT UP TO 2009 IS USD 1.5 BILLION, WHILE THE COMMITMENT FOR 2003 IS USD 155 MILLION.)
-- THE CONSTRUCTION OF THE NEW AIRCRAFT CARRIER ANDREA DORIA (THE OVERALL COMMITMENT UP TO 2008 IS USD 1.4 BILLION, WHILE THE COMMITMENT FOR 2003 IS USD 92 MILLION.)
-- THE INTERNATIONAL COOPERATION FOR MISSILE SYSTEMS PAAMS-SAAM (THE OVERALL COMMITMENT UP TO 2014 IS USD 795 MILLION, WHILE THE COMMITMENT FOR 2003 IS USD 89 MILLION.)
-- THE ACQUISITION OF TWO NEW GENERATION SUBMARINES U212A (THE OVERALL COMMITMENT UP TO 2007 IS USD 904 MILLION, WHILE THE COMMITMENT FOR 2003 IS USD 129 MILLION.)

121. (U) ARMY INVESTMENTS (USD 832 MILLION) REPRESENT ANOTHER 25 PERCENT OF OVERALL ALLOTMENTS. THESE FUNDS ARE DEVOTED TO:-- THE PROGRAM VCC DARDO COMBAT (THE OVERALL COMMITMENT UP TO 2004 IS USD 550 MILLION, WHILE THE COMMITMENT FOR 2003 IS USD 123.9 MILLION.)
-- THE INDUSTRIALIZATION AND PRODUCTION OF 16 HELICOPTERS NH-90 (THE OVERALL COMMITMENT UP TO 2018 IS USD 3.35 BILLION,

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WHILE THE COMMITMENT FOR 2003 IS USD 120.8 MILLION.)
-- THE REMAINING USD 408 MILLION (12 PERCENT OF TOTAL) WILL
FINANCE INTERFORCE PROJECTS LIKE THE DEVELOPMENT OF THE JOINT
STRIKE FIGHTER (THE OVERALL COMMITMENT UP TO 2012 IS USD 1.19
BILLION, WHILE THE COMMITMENT FOR 2003 IS USD 107.3 MILLION.)

TABLE 2
SUMMARY OF NATIONAL DEFENSE BUDGET: 2002-2003
(IN BILLIONS OF USD)

CHG	CHG VALUE	FY 2002	FY 2003	%
<u>11.</u> PERSONNEL 445 (AS % OF GDP)		6.578	7.023	6.8
<u>12.</u> OPERATIONS 58 (AS % OF GDP)		3.589	3.647	1.6
<u>13.</u> INVESTMENTS -142 (AS % OF GDP)		3.499	3.357	-4.1
<u>14.</u> TOTAL NATIONAL DEFENSE APPROPRIATIONS 2.6	341	13.666	14.027	
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(AS % OF GDP) (1.09%) (1.07%)
(AS % OF GOV
BUDGET) (2.17%) (2.19%)

ADDENDUM:			
GDP	1,253	1,305	4.1
52			
GOV BUDGET	630.062	639.706	
EXCHANGE RATE	1.00	1.00	

SOURCE: GOVERNMENT'S 2002 BUDGET PROPOSAL (SEPTEMBER 2002).
THE 2002 DATA IS THE REVISED 2002 BUDGET.

AFGHANISTAN: OFF AND ISME

¶22. (U) ON JAN 15, 2002 ITALY DEPLOYED A TASK FORCE COMPRISED OF 450 SOLDIERS TO THE INTERNATIONAL SECURITY ASSISTANCE

FORCE (ISAF). THIS FORCE PROVIDED ISAF SITE SECURITY IN THE KABUL AREA. ITALY IS PROVIDING THREE C-130 (TWO OPERATING FROM ABU DHABI) AND LEASING ONE B-707, ONE AN-124, AND ONE

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LAB-01	VCE-00	AC-01	NSAA-00	ACE-00	IRM-00	SSO-00	
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IL-76 IN SUPPORT OF ISAF. ITALY PROVIDED ITS ONLY CARRIER BATTLE GROUP TO SUPPORT COMBAT OPERATIONS IN THE NORTH ARABIAN SEA. IT DEPLOYED MORE THAN 13 PERCENT OF ITS ENTIRE NAVAL FORCE FOR USE IN OEF. THE "DE LA PENNE" GROUP (ONE DESTROYER AND ONE FRIGATE) RELIEVED THE CARRIER BATTLE GROUP ON MARCH 15, 2002. THE ITALIAN FRIGATE "EURO" TRANSITED THE SUEZ CANAL ON MAY 8, 2002 TO RELIEVE BOTH COMBATANTS ON STATION. CURRENTLY THE "EURO" IS STATIONED IN THE GULF OF OMAN WITH THE CANADIAN TG 50.04. IT TOOK PART IN THE CAPTURE OF TWO ALLEGED AL QAEDA ELEMENTS ON JULY 13, 2002 (THE FIRST EPISODE OF EFFECTIVE LIO IN OEF.) ITALY MOVED MORE THAN 17,000 LBS. (27 CUBIC METERS) OF SUPPLIES AND EQUIPMENT FROM BRINDISI TO ISLAMABAD, PAKISTAN ON MARCH 19, 2002. SUPPLIES/EQUIPMENT INCLUDED A FORKLIFT AND EQUIPMENT FROM THE WORLD FOOD PROGRAM (WFP). ON APRIL 18, 2002, ITALIAN AIR FORCE AIRCRAFT AND A SECURITY FORCE FROM THE CARABINIERI TRANSPORTED FORMER AFGHANISTAN KING MOHAMMED ZAHIR SHAH AND AIA LEADER HAMID KARZAI FROM ROME TO KABUL WITHOUT INCIDENT.

123. (U) ITALY HAS ALREADY SENT 2,700 TROOPS IN SUPPORT OF OEF, IN DEPLOYMENTS THAT ARE NOW COMPLETED. THE GOI IS NOW PREPARING FOR THE DEPLOYMENT OF A 1,000 MAN ALPINI TASK FORCE INTO AFGHANISTAN IN MARCH 2003. ITALY ALSO HAS 15 PERSONNEL DEPLOYED IN SUPPORT OF OPERATION ENDURING FREEDOM IN THE COALITION COORDINATION CENTER (CCC) OF USCENTCOM AT MACDILL AFB, TAMPA, FL.

124. (U) ITALY'S COMMITMENTS TO OEF AND ISAF HAVE COST IT USD 170 MILLION AND USD 80 MILLION, RESPECTIVELY. ADDITIONALLY, ITALY HAS BEEN ACTIVE IN THE FINANCIAL WAR ON TERRORISM, FREEZING ACCOUNTS OF INDIVIDUALS AND ENTITIES CONNECTED TO

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TERRORIST ACTIVITY. IN OCTOBER, ITALY BECAME ONLY THE SECOND
COUNTRY WHICH JOINED THE U.S. IN JOINTLY DESIGNATING ENTITIES
FOR ASSET FREEZE.

25.(U) ITALY VOLUNTEERED TO SERVE AS THE LEAD NATION IN COORDINATING INTERNATIONAL EFFORTS TO ASSIST IN THE REFORM OF AFGHANISTAN'S JUDICIAL SECTOR, ONE OF FIVE AREAS OF REFORM CONTRIBUTING TO AFGHANISTAN'S LONG-TERM SECURITY. IN THIS CAPACITY, THE GOI HAS SPONSORED A NUMBER OF MEETINGS AND HOSTED A MAJOR INTERNATIONAL DONOR CONFERENCE DECEMBER 19-20, AS WELL AS A SEMINAR FOR AFGHAN JURISTS DECEMBER 16-17. GOI STAFF AT ITS KABUL EMBASSY INCREASED TO ENABLE IT TO FULFILL THIS ROLE, AS DID THE ALLOCATION OF PERSONNEL TO THE MFA'S AFGHANISTAN DESK. ITALIAN ASSISTANCE TO AFGHANISTAN REACHED 47.5 MILLION EURO AS OF LATE NOVEMBER.

MILITARY REFORM

¶26. (U) ITALY CONTINUES TO EXECUTE ITS PLAN TO ESTABLISH A PROFESSIONAL, ALL-VOLUNTEER FORCE. THE GOT'S CURRENT TARGET IS A FULLY PROFESSIONAL FORCE OF 190,000 (APPROXIMATELY TEN PERCENT OF WHICH WILL BE WOMEN) BY THE END OF 2005. DEFENSE MINISTER MARTINO HOPES TO HAVE THE PROFESSIONAL FORCE IN PLACE BY 2004 AS A COST-SAVING MEASURE. LEGISLATION TO THAT EFFECT WAS INTRODUCED IN THE ITALIAN PARLIAMENT IN MID-2002.

127. (U) ARMY: THE ITALIAN ARMY, WHICH CONSISTED OF APPROXIMATELY 120,000 PERSONNEL IN 2002, IS UNDERGOING SIGNIFICANT CHANGE AS IT STRIVES TO COMPLETE ITS TRANSITION

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TO A SMALLER, MORE DEPLOYABLE, AND COMPLETELY PROFESSIONAL
FORCE. APPROXIMATELY 60,000 CONSCRIPTS REMAIN IN SERVICE AS
THE ARMY DOWNSIZES TO 112,000 VOLUNTEERS BY THE END OF 2005.
WHILE 13 BRIGADES ARE STILL LISTED AS COMPRISING THE BULK OF
FORCES, ONLY TEN BRIGADES WILL BE AVAILABLE IN THE FINAL
STRUCTURE FOR CRISIS REACTION OR HOMELAND DEFENSE MISSIONS.
THESE BRIGADES ARE EMPLOYED MUCH LIKE THE US ARMY'S
DIVISIONS. THEY ARE ALL ASSIGNED NATO MISSIONS AND MANY
COULD ALSO BE USED BY THE EU. A LITTLE OVER 6,500 ARMY
PERSONNEL ARE DEPLOYED OVERSEAS, MOSTLY IN THE BALKANS, AND
AFGHANISTAN. MAJOR ISSUES ARE: THE EXPANDING NUMBER OF
PEACEKEEPING AND OTHER TYPES OF MULTINATIONAL OPERATIONS, THE
COMPLETE INTEGRATION OF WOMEN INTO MOST OF THE UNITS, AND
ASSURING SUFFICIENT PERSONNEL ARE RECRUITED IN THE COMING

YEARS. IF THE CURRENT PACE OF RECRUITMENT CONTINUES, THE ARMY MAY BE SHORT 15,000 PERSONNEL IN 2006. THIS SHORTFALL DOES NOT APPEAR TO UPSET THE CURRENT LEADERSHIP, AS IT WILL ALLOW FOR A MORE GRADUAL INCREASE IN PROFESSIONAL SOLDIERS. MEANWHILE, THE ITALIAN ARMY IS MOVING FORWARD IN IMPROVING ITS CAPABILITIES. ITS NEWLY CREATED MULTINATIONAL CORPS LEVEL HIGH READINESS FORCE (LAND) HEADQUARTERS WAS OFFERED TO

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	LAB-01	VCE-00	AC-01	NSAE-00	ACE-00	IRM-00	SSO-00
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NATO AS AN ALLIED RAPID DEPLOYABLE CORPS AND UNDERWENT FULL OPERATIONAL CAPABILITY TESTING WITH A MAJOR EXERCISE IN DECEMBER 2002. THE ITALIAN ARMY ALSO CONTINUES TO ACQUIRE MODERN WEAPONS AND COMBAT VEHICLES SUCH AS THE ARIETE TANK AND THE DARDÒ ARMORED PERSONNEL CARRIER.

128. (U) NAVY: THE ITALIAN NAVY IS COMPRISED OF 34,000 MEN AND WOMEN. THE MAIN COMPONENTS OF THE ITALIAN FLEET INCLUDE ONE AIRCRAFT CARRIER (HELICOPTERS AND AV-8B SEA HARRIERS), THREE AMPHIBIOUS SHIPS, APPROXIMATELY 25 FRIGATES/DESTROYERS, EIGHT DIESEL SUBMARINES, 10 PATROL BOATS, AND 10 MINESWEEPERS. CONSTRUCTION HAS BEGUN ON A LARGE AMPHIBIOUS SHIP, WHICH WILL BE CAPABLE OF ACTING AS A TROOP TRANSPORT AND ALSO HAVE THE ABILITY TO OPERATE HELICOPTERS AND AV-8B SEA HARRIERS, AND, EVENTUALLY, V/STOL JSFS. A TYPE 212 SUBMARINE CONSTRUCTION PROGRAM WILL REPLACE OLDER SUBMARINES. THE ITALIAN NAVY ALSO WANTS TO ENHANCE ITS AMPHIBIOUS CAPABILITY TO PROJECT POWER BY REFITTING ITS TWO LPDS, PROCURING NEW HELICOPTERS AND ENLARGING ITS SAN MARCO NAVAL INFANTRY GROUP. IN 2002, THE ITALIANS CONTINUED CO-PRODUCTION, WITH THE FRENCH, OF THE HORIZON FRIGATE, A PROGRAM DESIGNED TO REPLACE SEVERAL OLDER FRIGATES. THE ITALIANS HAVE A BILATERAL AMPHIBIOUS AGREEMENT WITH THE SPANISH NAVY, WHICH HAS LED TO THE CREATION OF A JOINT ITALIAN-SPANISH AMPHIBIOUS FORCE. THEY ARE ALSO PROPOSING CREATION OF A NATO NAVAL HIGH READINESS FORCE USING ITALIAN UNITS AS THE CENTERPIECE.

129. (U) AIR FORCE: THE ITALIAN AIR FORCE PROVIDES SIGNIFICANT LOGISTICAL INFRASTRUCTURE SUPPORT TO THE US AND NATO FORCES. HOWEVER, ITS ABILITY TO CONTRIBUTE DIRECTLY IN UNCLASSIFIED

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A FORCE-PROJECTION ROLE IS MODEST. THE PRIMARY MILITARY LIMITATIONS TO OUT OF AREA OPERATIONS OF THE ITALIAN AIR FORCE ARE: PROHIBITION OF THE USE OF CONSCRIPTS OVERSEAS, LACK OF STRATEGIC LIFT, AND LACK OF ADEQUATE AIR REFUELING SUPPORT FOR MORE THAN A HANDFUL OF AIRCRAFT. ADDITIONALLY, IN THE SURFACE ATTACK ROLE, THERE ARE INSUFFICIENT INVENTORIES OF PRECISION GUIDED WEAPONS TO SUSTAIN A BOMBING CAMPAIGN OF MORE THAN A FEW DAYS. HOWEVER, SINCE THE END OF THE GULF WAR, ITALY HAS MADE DRAMATIC GAINS IN IMPROVING ITS CONVENTIONAL WAR FIGHTING ABILITY. ITALY HAS INCREASED ITS PURCHASE OF PRECISION WEAPONS, SIGNED CONTRACTS TO PURCHASE US-MADE AIR REFUELING AIRCRAFT, LEASED EX-US F-16 FALCONS (34 F-16A/B AIRCRAFT TO ARRIVE IN CY2003 FOR USE IN AUGMENTING ITS FIGHTER INTERCEPTOR FORCE UNTIL THE EUROFIGHTER TYPHOON COMES ON LINE,) PURCHASED 24 C-130J AIRCRAFT, MODIFIED SOME TORNADO AIRCRAFT FOR SUPPRESSION OF ENEMY AIR DEFENSE ROLES AND INCREASED TRAINING OF TORNADO FLIGHT CREWS IN THE EMPLOYMENT OF LASER GUIDED MUNITIONS.

130. (U) THE EUROFIGHTER TYPHOON IS THE LARGEST PROCUREMENT ITEM IN ITALY'S DEFENSE BUDGET. ALTHOUGH IT ENTERS SERVICE IN 2004, IT WILL NOT REACH FULL OPERATIONAL CAPABILITY UNTIL 2007 OR 2008. UNTIL IT REACHES FULL OPERATIONAL CAPABILITY, IT WILL NOT GREATLY INCREASE ITALY'S ABILITY TO PROVIDE AIR SUPREMACY AND DEPLOYABILITY. AS A RESULT, A LARGE PART OF ITALY'S AIR COMBAT POWER WILL RELY ON OBSOLETE F-104 STARFIGHTER AIRCRAFT (TO BE REPLACED BY THE EUROFIGHTER TYPHOON) AND THE SURFACE ATTACK AIRCRAFT, THE JOINT BRAZILIAN-ITALIAN AMX. ITALY WAS THE SECOND FOREIGN CUSTOMER TO SIGN A CONTRACT TO HELP FUND, DEVELOP AND MANUFACTURE THE JOINT STRIKE FIGHTER (JSF), AND UNCLASSED

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THE SIZE OF ITS PARTICIPATION MAKES IT THE SECOND LARGEST JSF PARTNER(AFTER THE UK). ITALY PLANS ON TAKING DELIVERY OF ITS FIRST JSF IN 2012 AND WILL USE THE AIRCRAFT TO REPLACE ITS AMX AND TORNADO AIRCRAFT IN THE SURFACE ATTACK ROLE AND REPLACE ITS AV-8B,S ONBOARD THE CARRIER GARIBALDI AND ITS SUCCESSOR. WITH ITALY,S REPLACEMENT OF THE F-104 BY THE TYPHOON AND THE REPLACEMENT OF THE AMX WITH THE JOINT STRIKE FIGHTER, ITS EMPLOYABLE COMBAT POWER WILL SIGNIFICANTLY INCREASE.

131. (U) CARABINIERI: THE CARABINIERI ARE, TECHNICALLY, THE FOURTH ELEMENT OF THE ITALIAN ARMED FORCES, AND REPORT TO THE MINISTER OF DEFENSE. WHILE MOST CARABINIERI RESPONSIBILITIES ARE FOR DOMESTIC SECURITY AND POLICE, CARABINIERI FORCES PLAY A LEADING ROLE IN MSU OPERATIONS IN THE BALKANS, AFGHANISTAN, AND ARE IN MANY RESPECTS THE MODEL FOR INTERNATIONAL FORCES BRIDGING THE GAP BETWEEN MILITARY PEACEKEEPING AND CIVILIAN POLICING FUNCTIONS. ADDITIONALLY, PURSUANT TO A LONG-STANDING AGREEMENT WITH THE US ARMY, ITALY PROVIDES TWO CARABINIERI COMPANIES ON A FULL-TIME BASIS TO THE US ARMY'S SOUTHERN EUROPEAN TASK FORCE TO ASSIST IN FORCE PROTECTION

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AND LAW ENFORCEMENT ON BASES USED BY THE US ARMY IN ITALY.

ITALY'S CONTRIBUTION TO THE COMMON DEFENSE

HOST NATION SUPPORT:

132. (U) -- ITALY PROVIDES FOR USG USE OF SEVEN PRINCIPAL MILITARY BASES AND NUMEROUS SMALLER LOCATIONS, ALL ON A NO-FEE BASIS, A UNIQUELY ADVANTAGEOUS ARRANGEMENT FOR THE US DEFENSE BUDGET. THESE STRATEGICALLY LOCATED INSTALLATIONS PERMIT A FORMIDABLE US FORCE CAPABILITY VIA THREE AIRBASES, ONE STAGING BASE, ONE LARGE AMMUNITION AND EQUIPMENT BASE AND TWO HOMEPORTS - ONE WITH THE ONLY ATLANTIC REGION MAINTENANCE/REPAIR TENDER SHIP PRIMARILY FOR NUCLEAR POWERED SUBMARINES. US FLEET AND SUBMARINE OPERATIONS IN THE MEDITERRANEAN WOULD BE SERIOUSLY HAMPERED WITHOUT THIS CAPABILITY.

-- ITALIAN CIVIL AND MILITARY SECURITY FORCES PROVIDE
INVALUABLE ANTI-TERRORIST PROTECTION TO US SHIPS TRANSITING
ITALIAN PORTS AND MILITARY BASES UTILIZED BY USC ALONG WITH
ARMED CARABINIERI SECURITY OF SENIOR US OFFICERS STATIONED OR
TRANSITING ITALY AND OTHER DIGNITARIES. AS NECESSARY.

-- A ROBUST TELECOMMUNICATIONS INFRASTRUCTURE ENHANCES US MILITARY DATA AND VOICE TRANSMISSION WHILE REDUCING REQUIREMENTS FOR US MILITARY EQUIPMENT AND PERSONNEL THROUGH A SUSTAINED AVAILABILITY OF LEASED TELECOMMUNICATIONS CIRCUITS.

CIRCUITS.
-- HOST NATION ASSURANCES FOR SAFE LINES OF COMMUNICATIONS
(AIRPORTS, SEA PORTS, RAILWAYS, HIGHWAYS, AIR ROUTES)
FACILITATE THE SURGE OF US MILITARY PERSONNEL AND EQUIPMENT
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DURING TIMES OF CRISIS OR CONFLICT THROUGH THREE SHARED
CIVILIAN/MILITARY AIRFIELDS WITH BASING OF US AIRCRAFT.
-- UNPARALLELED AUTHORIZATION OF A US/NATO MUNITIONS STORAGE
FACILITIES ON ITALIAN SOIL PERMITS INVALUABLE SOURCE FOR A
PRE-POSITIONED STAGING MUNITIONS CAPABILITY TO EXERCISES AND
CONTINGENCIES INCLUDING THE WAR ON TERRORISM.
-- CONVENIENT ACCESS TO MILITARY TRAINING AND EXERCISE RANGES
ALLOWS THE US MILITARY TO CONDUCT INDISPENSABLE LAND MANEUVER
EXERCISES, LIVE-FIRE TRAINING, PARACHUTING, AND AIR TRAINING
ACTIVITIES.
-- NO-COST LOAN OF 16 ITALIAN ARMY "CENTAURO" WHEELED ARMORED
VEHICLES TO THE US ARMY SIGNIFICANTLY AIDED THE
TRANSFORMATION OF NEW INTERIM BRIGADE COMBAT TEAMS TO DEVELOP
OPERATIONAL CONCEPTS, TACTICS AND PROCEDURES FOR A MOBILE GUN
CATERPILLAR.

SYSTEM.
-- ITALY HAS BEEN VERY RESPONSIVE TO SECURITY CONCERNS AS EXEMPLIFIED WITH A 10-20 PERCENT INCREASE OF ARMED FORCES TO SUPPLEMENT US CONTRACT GUARD PERSONNEL RESPONSIBLE FOR PERIMETER SECURITY OF US/NATO-UTILIZED INSTALLATIONS.
-- PROVIDED ADDITIONAL VALUABLE LAND IN SUPPORT OF THE F-16 BEDDOWN AT AVIANO AIR BASE.
DEFENSE SPENDING:

133. (U) -- ITALIAN CONTRIBUTION TO BILATERAL AND MULTILATERAL COOPERATIVE PROGRAMS FOR THE DEVELOPMENT OF NEW WEAPON SYSTEMS HAS BEEN NOTHING SHORT OF OUTSTANDING. THEIR PARTICIPATION REDUCES UNIT COSTS WHILE BOLSTERING A VITAL US DEFENSE INDUSTRIAL BASE AS EXEMPLIFIED THROUGH THE JOINT STRIKE FIGHTER PROGRAM (JSF), MEDIUM EXTENDED AIR DEFENSE SYSTEM, MINI-INFORMATION DISTRIBUTION SYSTEM, F-16 FIGHTER AIRCRAFT LEASE, LIGHTWEIGHT 155MM HOWITZER DEVELOPMENT, AND LUNGLI-2033 TEST CENTER.

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SEVERAL MISSILE UPGRADE PROGRAMS

-- DIRECT PROCUREMENT OF US MANUFACTURED MAJOR DEFENSE EQUIPMENT PROMOTES AMERICAN PRODUCTS AND INTEROPERABILITY WHILE LENGTHENING AVAILABILITY OF PRODUCTION LINES AND PRESERVING A US INDUSTRIAL BASE AS DEMONSTRATED THROUGH THE PURCHASE OF 200 LOCKHEED-MARTIN JSF AIRCRAFT. FIVE GENERAL

ATOMICS PREDATOR UNMANNED ARIEL VEHICLES, AND LARGE-SCALE PURCHASES OF FIVE TYPES OF RAYTHEON MISSILES.
-- ITALY AGGRESSIVELY PROCURES US-BASED TRAINING VALUED AT OVER 60 MILLION DOLLARS PER YEAR IN ORDER TO TRAIN ITS MILITARY PERSONNEL. THIS IMMENSE EXPENDITURE SUBSIDIZES OPERATING COSTS AND HELPS SUSTAIN US MILITARY ACADEMIC INSTITUTIONS.

ROLES AND MISSIONS:

134. (U) -- INVALUABLE PRODUCT SHARING OF ITALIAN MILITARY INTELLIGENCE WITH US COUNTERPARTS CONSTITUTES A NOTEWORTHY PORTION OF THE INTELLIGENCE COLLECTION AND ANALYSIS WORKLOAD ESSENTIAL TO MAINTAINING FULL COVERAGE OF THE MEDITERRANEAN REGION.

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